UNIVERSITY COLLEGE LONDON

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UNIVERSITY OF TARTU

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EUROPEANISATION, GLOBALISATION, AND UNCONVENTIONAL ENERGY: A STEPWISE COMPARISON OF TELECOMMUNIATIONS AND ENERGY IN ESTONIA AND POLAND, 1990-2011

Master's Thesis

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Tartu, Estonia

23 May 2012

The thesis conforms to the requirements for a Master's thesis .....(signature of the supervisor and date)

Admitted for the defence ..... (date)
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The thesis is 25,465 words in length, excluding references and appendices.
I have written the Master's thesis independently.
I hereby declare that all perspectives, studies, and sources taken and used for the research have been referenced. All primary and secondary data have also been cited.
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INTRODUCTION

Does Europeanisation conduct member states to changes in governance and market regimes? Specifically, is the adoption of independent regulation and market liberalisation in public utilities a consequence of European Union? Although Europeanisation research has been thriving in the past ten years, only a narrow group of studies have made empirical attempts to untangle the EU's specific impact from those of globalisation or neoliberalisation. Both terms are methodologically and theoretically loaded, and they have led to varying and wide policy implications. In essence, these terms have been used to explain policy outcomes in many studies across a wide range of disciplines, yet few have attempted to be terminologically conscious. It is important to untangle the impact of these two concepts from each other—whether they are complementary, contradictory, or disconnected—because academic works are never disconnected from politicisation. Without declaring finality on the conceptual debate between the two, my dissertation is an attempt to contribute to this issue.

Notwithstanding, I explore the impact of globalisation and Europeanisation on Estonia and Poland. In particular, I situate my arguments in the debates on European Studies, International Political Economy [IPE], and Resource Geography. Some scholars are now speaking of the EU's influence on the member states (Hölscher & Myant 2007; Bohle & Greskovit 2007), but the extent to which we can genuinely speak of a link depends ultimately on the extent to which EU policies were influential and embedded, in contrast to other possible explanations—and their evolving role in certain policy domains, specifically in public utilities. While Europeanisation literature has traced the EU's influence during the accession period, the task for the second generation of researchers is to identify rigorously the impact of Europeanisation by untangling it from other possible processes, particularly globalisation. It is then crucial to test its impact systematically and empirically before the task to identify the continuation of Europeanisation after membership.

Furthermore, while previous studies compared the EU and globalisation's role in policy transformation of public utilities in many of the older member states, there has been little effort to do the same in Central and Eastern Europe. The task for second generation of researchers is to expand this assessment on new member states. The focus on new member states could also illuminate the link of the EU's influence (Bohle & Greskovit; Hölscher & Myant 2007), and unravel the mechanisms of policy transformation (Eikeland 2011). Therefore, following literature on stepwise comparative design (Coen & Thatcher 2011; 2008, Levi-Faur; Bartle; Humphreys & Padgett; Lodge & Stirton 2006), my research delves into a similar comparison of telecommunications and energy in Estonia and Poland.

I choose Estonia and Poland following the most different cases design, with the former associated with *Baltic States* and the latter with an institutionalised *Visegrad group* (Bohle & Greskovit; Hölscher & Myant 2007). Their findings suggest that despite their vastly different characteristics, policy transformations in both countries are embedded in broader patterns of political continuity and globalisation. Furthermore, these states have notable shale resources that continue to attract striking scrutiny from the EU and attention from foreign direct investors. As shale energy production is unique to these states at the moment, these resources, I believe, limit the EU's influence on policy transformation. Therefore, these two-fold junctures are the departure points of the research.

Why do I include the telecommunication sector? Why is it important to study these processes in the utility sectors? First, untangling the impact of Europe on network industries, or public utilities allows an assessment of Europeanisation and globalisation through the clash of policy priorities in extremely important state functions. Politics in public utilities represent negotiating, sometimes clashing and compromising principles of two highly regarded goals—public service obligations comprised of affordable prices in the short-term, maintenance of network infrastructure in the long term, and stability of utilities; and market

liberalisation, which consists of greater consumer choice, access of third party competitors to network infrastructure, and cheaper services. Public utilities or network industries present scholarly space to analyse the impact of globalisation and Europeanisation (Coen & Thatcher 2011; 2008,). Second, network industries are characterised by the reliance on transmission infrastructure for the administration of service. If the owner of the transmission infrastructure is the same producer and distributor, as was the case for most countries in the world after World War II, the owner might increase the cost for other competitors to use the same transmission infrastructure. Another variant of this comes in state ownership, which could bring problems to competition due to the privileged position of state companies. Hence, the EU's regulatory regime focuses on the 'unbundling' of production and transmission infrastructures, for the fair and non-discriminatory level of competition. Telecommunication and energy sectors are comparable since both rely on highly integrated and established infrastructures for the distribution of its services.

Although my definition will be more specific later, in general, Europeanisation pertains to the construction of policies, norms, and initiatives from the EU level diffused or transposed onto the national level. From another perspective, some authors argue that Europeanisation is not an outcome, but it is rather a process. For the purpose of the research alone, I use Europeanisation as the 'institutionalisation of a shared political and economic order at the international level largely through membership in the EU, as well as in the creation of issue and sector-specific regimes at the EU level' (Jordana, Levi-Faur, and Puig 2006: 437-438). Similarly, globalisation is a largely methodologically and theoretically term for multiple processes. I focus on the consensus in IPE literature as a multiscalar process of increasing flows and interconnectedness associated with the broader economic restructuring of the global economy, imposing opportunities and limitations on state autonomy (Soederberg, Menz, Cerny 2005; Hay 2001). However, it is also widely recognised that globalisation is not an entirely external influence on domestic institutions, but it is also an interactive bottom-up and inside out phenomenon (Soederberg, Menz, Cerny 2005; Hay

2001). While the term neoliberalism pertains to orienting risk and opportunities in the state economies toward the openness of the market (Harvey 2005), I use globalisation instead because of the focus on the broader economic restructuring of interconnectedness and the increasing pace of flows.

Thus, I focus on two salient policy transformations from Europeanisation and globalisation (Thatcher 2011; Coen 2008). First is the transformation of markets or the liberalisation of the utility sectors, which is defined as the privatisation or non-state ownership of public utilities; this introduces competition to the sector (Coen & Thatcher 2011; 2008) by allowing fair access to transmission infrastructure. Although liberalisation could mean several different outcomes, I specify competition and privatisation to be the clear indicators. Competition pertains to minimising the barrier for fair competition to come in. Although 'fair' competition is subject to different meanings per context (Bartle 2006), I adhere to the EU's definition. Privatisation pertains to the private ownership of public assets, whether these are foreign or national. Second, the transformation of governance comes in independent [re]regulation (Levi-Faur; Bartle 2006), which is defined as the creation of accompanying institutions—such as national regulatory agencies (NRA)—that are politically insulated from electoral volatility and politicisation. In the EU-level regime, the idea of regulation became prominent in the 1990s after the consensus on the European Single Market Act of 1986. Following the logic that investors want predictability, adherence to the rule of law, and limited barriers to competition, the EU started to follow the idea of independent regulation, which mainly includes the delegation of powers to independent authorities. These people are presumed to be fair actors, governing on merit and competition, and not under the whims of politicians.

How do we measure if Europeanisation matters or not? What should be the expected outcomes? Drawing mainly from David Levi-Faur, Jordana, and Puig, I nuance some of these answers in CEE context by specifying the expectation that pressure for policy transformation should be at its strongest during the pre-accession process (Jordana, Levi-Faur, and Puig 2006: 440). First, there 'should

be similar patterns and institutions of governance across' (Jordana, Levi-Faur, and Puig 2006: 440); second, there should be varying degrees of market liberalisation 'depending on the extent to which the specific European regime promotes it' (Jordana, Levi-Faur, and Puig 2006: 440); third, a lesser degree of support for state companies, the most accepted model in CEE during the Cold War, via the advance of EU membership; and last, 'new strategies of internationalisation by private firms, corresponding to the opportunities and obstacles accompanying the progress of EU membership' (Jordana, Levi-Faur, and Puig 2006: 440).

Specifically, the following questions comprise the main themes of the dissertation:

- To what extent does Europeanisation impact public utilities of Estonia and Poland? How different is the impact before and after accession?
- To what extent do resources matter in shaping policy transformation of energy?

In sum, these questions constitute the nature of policy utility transformation in Estonia and Poland placed within the broader context of Europeanisation and globalisation. The first question unpacks Europeanisation from policy transformation in public utilities, especially its attempt to strike a balance between European and state goals and the influence of resources on policy transformation. The second question investigates the role of resources in shaping policy transformation of energy in Estonia and Poland.

The arguments of the dissertation

My research argues that the causal link between the EU's influence, manifested through EU membership of Estonia and Poland, as well as EU regulatory regime of telecommunication and energy, and policy transformation, is weak. In explaining policy transformation, instead, I forward that Estonia and Poland are

able to internalise globalisation by managing and harnessing its economic and political opportunities.

Specifically, this can be seen in two levels. First, for public utilities, the type of capitalism and state size are organising logics of policy transformation, which largely influence the extent and form of market and governance shifts. While some argue that globalisation leads to a process of economic and social institutionalisation, I argue that, alongside public policy literature, it is convergence towards regulatory capitalism. Although there are generated pressures from the EU to push for policy transformation before and after membership, the EU mainly facilitates the agenda of policy transformation, but the reasons for policy shifts in public utilities go back to the organising logics of state capitalism and state size. The EU's effectiveness in pushing for policy transformation, hence, in public utilities, while aided by the *acquis* before accession, was hinged on its consistency and coherence with global, national and sectoral specific characteristics.

Second, I argue that, specific to the energy sector, that unconventional energy influences the state's expectations of globalisation by opening new political and economic spaces. In particular, it indirectly influences policy transformation in energy by giving opportunities to states and involving more actors. Resources are not just technical and natural objects to empower the state, but they parlay social relations. Shale energy in both countries modifies the social relations of the state and society within, between, and amongst the international community. The key point is that resources modifiy the state's expectations of globalisation by opening new political and economic spaces

Globalisation, in this sense, is not a wholly external force that influences domestic institutions, but conversely, it is a dialectic phenomenon that is also bottom-up and inside out (Soederberg, Menz, Cerny 2005). Although I find a general trend of transformative governance and market liberalisation in the public utilities of Estonia and Poland, their experiences of capitalism and state

size deviate significantly, especially the role of geography in limiting or enabling economic reforms signifying a divergence within a general trend of convergence toward regulatory capitalism. Notwithstanding historical specificity of the cases, my claim is that the type of capitalism, state size, and the type of resources are organising logics of the state's management of globalisation in public utilities within the broader range of process accompanying globalisation and Europeanisation.

Structure of the dissertation

In chapter one, after reviewing the relevant theoretical and empirical literature, I develop a framework using varieties of capitalism [VOC], state size, and resource geography to examine the political transformation of public utilities in Estonia and Poland within the broader context of globalisation. As opposed to a strictly top-down view of Europeanisation, policy transformation decisions were constituted by complementing and sometimes competing articulations of state capitalism and state size, and resource types in utility governance.

In chapter two, I present the research design and methods of data collection on how to examine the policy transformation of public utilities. The chapter develops a stepwise comparative design that synthesises two perspectives drawn from national policy analysis [NPA] and policy sector analysis [PSA]. I focus on telecommunications and energy to demonstrate the management of globalisation's opportunities within broader patterns of regulatory capitalism using concepts like varieties of capitalism and state size. Furthermore, I draw upon resource geography as a way of understanding the possibility of using resources as comparators from the stepwise perspective.

The final two chapters are the empirical components. Chapter three focuses on utility governance in Estonia and Poland. I analyse these changes diachronically by starting from pre-accession to post-accession using a 'stepwise' comparison. While it is obvious that there is no single EU policy on telecommunications, much

more on energy, I engage in an *iterative* perspective of engaging the evolving nature of EU policies. However, even if EU policies in energy and telecommunications kept on evolving, there were common processes, or principles that were pushed forward such as liberalisation and independent regulation. In this sense, I compare the continuity of these principles and policy transformation.

On the final chapter, the research looks at a different type of comparison, one that is based on resources, and assesses changes on Estonian and Polish 'post-accession capacities' in shale energy. Although the chapters compare Estonia's oil shale and Poland's coal during the pre-accession phase in chapter three, I focus the fourth chapter on Poland's shale gas after 2004 because resource comparisons could be done at that time and Polish energy mix started to change.

CHAPTER 1
LITERATURE REVIEW AND THEORETICAL FRAMEWORK

1. Introduction

The literature review is divided as follows: (a) a broader review of Europeanisation; (b) a brief overview of globalisation; (c) the intersections of Europeanisation and globalisation; (d) a brief review of varieties of capitalism and state size literature; (e) literature on the Europeanisation of public utilities in Estonia and Poland; and (f) an elaboration of the potential theoretical and empirical contributions of my research.

While I will discuss the general contributions thoroughly in the latter part of this chapter, the theoretical contribution of my research is that it expands the literature on Europeanisation in CEE by not supposing its effective relationship with policy transformations in general, specifically in public utilities, by accounting for the direction and form of these policy shifts, and by tracing the effectiveness of its impact after the accession period. By deploying the stepwise comparison, a relatively new comparative method that was developed mainly for the study of public utilities, I uncover the locus of policy transformations and forms of change in the hands of states during the pre- and post-accession process. Through the use of international political economy and resource geography literature, and theoretical traditions I draw from at the end of the chapter, I contribute to the timely debate in the EU's role in public utilities, specifically in the energy sector and in unconventional energy.

1.1 Literature Review

1.1.1 Europeanisation

Traditional integration debates between neofunctionalism and intergovernmentalism ask the question *Why do member states pool their sovereignty?* This is the 'ontological' question in EU studies. Not discounting the first step but choosing to look further beyond the theorising, Europeanisation is a 'post-ontological' inquiry, as the main point of departure is 'after integration, what happens' (Bulmer & Radaelli 2011, Exadaktylos & Radaelli 2009)? In response to the claims that only member states have influence in the EU, supranationalists and constructivist scholars have developed an approach called Europeanisation; that is, the impact of the EU on the politics, policies, and polity of member states (Knill & Lenschow 2005, 2002). Europeanisation is defined as the 'construction, diffusion, and institutionalisation of rules, procedures, and policy paradigms, shared beliefs and norms' (Radaelli & Pasquier 2009,Knill & Lenschow 2005, 2002), which are primarily formed, debated, and defined at the EU level and then transposed into the level of domestic discourse, public policies, institutional structures, and even group identities (Radaelli & Pasquier 2009,Knill & Lenschow 2005, 2002). The process does not argue that Brussels is the only source of change, but EU institutions could also be sources as well, nor does it argue that the process always seeks domestic transformation, or a direct impact—as Europeanisation could also happen horizontally. Some questions hover at the widening scale of EU-induced transformation, while others even probe the normative questions of change.

The application of Europeanisation is largely debated on two widely accepted approaches. The 'top-down' approach, also known as the 'goodness of fit', begins by comparing the 'difference' between EU Policy and the member state policy. There are two variants of the misfit perspective. The rationalist variant argues that the higher the difference, the higher the adaptation pressure; in other words, the bigger the difference, the more likely it is for an EU-induced change (Börzel &

Risse 2007). Conversely, a constructivist approach argues that adaptation pressure is greatest at the moderate level, since lower misfit does not entail change at all, and a high misfit produces extremely polarised policy positions (Börzel & Risse 2007). The second approach is the 'bottom-up' method, which departs not from the EU policy at the supranational level, but from the domestic level. As some scholars have argued, the bottom-up approach accounts for timing, tempo, and temporalities much better than its predecessor; instead of assuming that change happens primarily because and at the level of the EU, the bottom-up approach largely considers the impact of domestic coalitions and international pressures (Gerring 2010). At the risk of 'pre-judging the EU level', proponents of the bottom-up approach meticulously trace where does change come from and see what are the causes (Gerring 2010, Bulmer & Radaelli 2011, Exadaktylos & Radaelli 2009).

There are three most common inquiries in Europeanisation research. First, Europeanisation as institutional change deals with whether and to what extent has Europeanisation affected the domestic system of interest formation, government interaction, administrative architecture, regulatory framework, executive and legislative bodies, and macro-economic institutions (Börzel & Risse 2007). Second, the change of politics approach looks at how 'domestic change actors seek to channel their interest into European policy-making process' (Börzel & Risse 2007, Woll &Jacquot 2010). To put it simply, the EU offers incentives to some groups and not to others, thereby changing the domestic constellation of interest intermediations and political compromises made in the political process. Third, public discourse and identity change deals with the EU reconstruction of concurrent discourses, frames, and narratives of national identities, historical memories, and how it could legitimise and give credence to accompanying EU public policies (Woll &Jacquot 2010).

1.1.2 Globalisation

Colin Hay's works on globalisation cannot be ignored. Initially, he surveyed first-generation globalists, who argued that global processes will envelope social practices across the globe, and second-generation statists, who believed the dominance of the state in pursuing policies globally and nationally (Hay 2001). He argues that careful empirical assessment reveal the regional characteristics of globalisation, the relative disparity of processes in various parts of the globe, which partially result in the unequal distribution of wealth between the North and South. As such, some strands of international relations theory—such as the English School or Liberal realism, which posits on-going processes of societal structuring amongst states in the international community—coheres with the premise that the impact of globalisation happens regionally. Justin Rosenberg's works focused on the exaggeration that some scholars articulated in the 1990s. While there is no disagreement among scholars that something is changing across the globe, he argues that there is a lack of consensus on the degree and direction of change (Rosenberg 2005, 2002). More specifically, the failure of globalisation theory is its flexibility in being a cause and outcome at the same time, as well as its inadequacy to display its indispensability vis-à-vis other conceptual terms. In doing so, globalisation theory parlays a spatio-temporal reformulation of social theory or social relations.

While neoliberalism and globalisation are sometimes used interchangeably, the former is often defined as a 'series of economic and political reforms designed to structure risk and opportunities in the economy towards the openness of the market' (Harvey 2005: 3). Neoliberalism is 'embedded' in the context, whereby the ideology is reproduced in the regulatory, historical, policy, and economic structures of the inherited institutional frameworks. Therefore, *the extent* of a country's neoliberalism is contested and can be arbitrary at some point. However, perhaps the most useful idea or conceptualisation comes from the idea of regulatory capitalism. In contrast to neoliberalism which argues the broad restructuring of states toward market [in]cohesiveness, regulatory capitalism

argues that, regionally, state power transforms to effectively attract and manage capital for economic development. This definition, found in public policy literature, is perhaps the most consistent in the dissertation (Humphreys & Padgett; Lodge & Stirton 2006).

1.1.3 Europeanisation and Globalisation

The interaction of the Europeanisation and Globalisation has been widely debated in EU studies. The causes and effects of globalisation are extremely difficult to separate from the effects of deeper 'regional integration,' often referred to as Europeanisation (Jacoby & Meunier 2011; Radaelli & Exadaktylos 2007). Since the two concepts are often intertwined in temporal and regional processes, there are several inquiries specific in the European case. The debate has been muddled because the interaction of Europeanisation and globalisation depends on the definition of both terms. Defining globalisation in most of its possible forms is beyond the scope of this dissertation; however, the dissertation, in direct relation to the theoretical contribution, looks at five most important aspects. First is the debate on whether Europe is affected by its own regional processes or by transactions with broader actors (Radaelli & Exadaktylos 2011; 2007). Second is that globalisation defined as liberalisation is focused on debates whether the EU Institutions are enablers or insulators against liberalisation. The third facet deals with the role of the EU to externalise its own rules beyond its borders, specifically in an effort to 'Europeanise' globalisation (Jacoby & Meunier 2011; Börzel & Risse 2007). Fourth is that globalisation is situated in debates as Westernisation or modernisation, particularly in its role in diffusing EU norms and practices during enlargement to aspirant member states (Jacoby & Meunier; 2011). The last debate defines globalisation as deterritorialisation, or the transformation of national boundaries and social spaces.

Although some scholars have tried to untangle the impact of globalisation and Europeanisation from one another, there is still space for further elaboration of these two aspects (Radaelli & Exadaktylos 2011). Some scholars have tried to do

this; particularly, quantitative measurements of investments, trade, and tourism have been key indicators. While it is conceptually difficult to untangle globalisation from Europeanisation, the present theoretical venture defines them differently to identify a precise angle to analyse the two without conflating one over another (Jacoby & Meunier 2011; Börzel & Risse 2007). Europeanisation, in this research, specifically deals with the EU Regulatory regime and membership. Through process tracing policy transformations during the pre- and post-accession process, I use a different strategy to locate the distinct effects of the two from one another. Conceptually, this is not an effort to end the debate between the two, but instead I attempt to contribute empirically to the discussion.

1.1.4 Stepwise Comparison, Varieties of Capitalism, and State Size

For literature on a step-wise comparison, and the general literature of varieties of capitalism, and state size, there have been many studies that used the same comparative approach to understand policy transformation in public utilities. In a special issue of *Governance* in 2006, David Levi-Faur argued that the varieties of capitalism and neoliberalism literature both had shortcomings in understanding contemporary capitalisms. Although both literatures have produced innumerable studies on our understanding of capitalism today, both have failed to grasp the transformation of the state in small and subtle ways. Levi-Faur argues that instead of a full retreat from governance, states went through a partial retreat to manage some functions while delegating others. As such, this phenomenon, he believes, is the varieties of regulatory capitalism. A series of works on liberalisation and independent regulation of public utilities followed in the publication. Ian Blaithe, intent on understanding the impact of EU membership on policy transformation worked on comparing Norway and Switzerland, while Humphreys and Padgett analysed these changes in two very reluctant states in liberalisation, France and Germany (Humphreys & Paddgett 2006). For enlargement studies in particular, Levi-Faur and Jordana looked at Portugal and Spain to analyse the extent of policy transformation before and after membership. Studies done using the step-wise comparison allowed the

researchers to grasp the causal mechanisms that allow or hinder policy transformation. By looking at types of capitalism, the impact of globalising technologies, and the impact of state size, the stepwise comparison has been able to strengthen comparative analysis. This strength, I argue, should be applied and analysed in the context of newer member states.

Although varieties of capitalism and state size will be reviewed at the case selections component of the next chapter, this section elaborates these concepts a bit more. For VoC, the focus on the interaction of firms, states, and labour unions, mainly on industrialising countries in the late 19th century, developed the VoC literature (Soederberg, Menz, Cerny 2005). At the moment, research on the VoC has been vastly developing across the globe−Southeast Asia, South Asia, and Latin America, specifically in newer member states, as well as in the post-Soviet states of the Caucuses. The focus on these newer region-specific VoCs, however, seems to neglect public utilities as a whole (Levi-Faur; Bartle 2006; Soederberg, Menz, Cerny 2005).

Literature on state size has focused on many different things. The International Relations strand is keen on understanding the conditions that allow small states to pursue an autonomous foreign policy (Toje 2010; Cooper and Shaw 2009). In particular, the literature focus on small state strategies, the popular notion of bandwagoning, also known as small states pooling their resources together, or succumbing to a bigger power, in the context of unforgiving foreign policy conditions (Toje 2010; Cooper and Shaw 2009). Other researchers look at the extent of small state cooperation and competition within international organisations, while others focus on the development of national institutions (Cooper and Shaw 2009). However, for my dissertation Peter Katzenstein's flexible adjustment thesis is the most relevant. He argues that small states succumb to economic pressures from international organisations and transnational companies because of their weaker bargaining power−resources, population, and representation in international organisations (Toje 2010; Cooper

and Shaw 2009; Soederberg, Menz, Cerny 2005; Katzenstein 1985). As a response, many scholars came out to criticise this perceived vulnerability and instead argued that some small states successfully manage globalisation and economic pressure.

1.1.5 Europeanisation of Estonia and Poland's Public Utilities

Specifically on policy transformation of Estonia's electricity sector, there are two very detailed empirical works. Rurik's Holmberg's PhD on *Survival of the Unfit: Path Dependence and Estonia's Shale Industry*; and also, the work of Madis Ehastu on the *Europeanisation of Estonia's electricity sector: historical legacies and security concerns*. Holmberg traced the sticky feedback effect of previously made investment choices and uncertain security concerns to show that in spite of the high extraction and environmental cost of oil shale, the reliance on the unconventional resource is rational because the alternative is much more costly. On the work of Ehastu, his research is an empirical piece on the policy transformation of Estonia's electricity sector. His strategy was to explain the limitations of the Europeanisation model and in its place use the historical legacies to explain policy transformation.

There are two theoretical gaps from these works. First, theoretically, the focus on historical institutionalism was able to explicate the barriers put up by previously made decisions, the relationship and dynamics of parties in Estonia, and the decisions that the ruling party had to make in light of uncertain conditions. The limit of historical institutionalism, however, is that it becomes too sticky that it fails to explain institutional change (Hay 2001). Indeed, as explained in many variants of institutional literature, historical institutionalism seems to explain institutional change through 'big bang' changes—such as war, societal and ecological collapse, as well as chaos. Although some newer variants of the literature explain gradual institutional changes through smaller policy changes, the general weakness of HI seems coherent (Hay 2001). Second, for Ehastu, a newer elaboration of Europeanisation through Claudio Radeilli, Featherstone,

and Exadaktylos on 'bottom-up' approach has gained credence throughout the years. His argument on historical legacies, however, could have been more illuminating if such legacies were situated using theories of comparative institutions and capitalism. Put simply, the explanatory power of security and historical concerns are only as strong as other explanations fail to explain the same phenomenon.

There have also been two 'indirect' studies that looked at Estonia's energy sector but analysed different dimensions. Eric Seufert argues that liberalisation would result to price increase, which in turn would compromise energy security. Using rigorous mathematical models, Seufert calculated the extent of price increase if liberalisation takes place. Although this is neat, the focus on econometrics limits the analysis in understanding liberalisation as a whole—particularly, why and how would it take place. Although he did say that he would not focus on these questions, it brings up gaps to theory building. A work by Susan Verheijen focused on the EU's impact on the Baltic States. Unlike Ehastu, Verheijen took into account bottom-up Europeanisation to explain policy transformation in Estonia. She argues that the failure of the EU to influence the Baltic States goes back to the persistence of national policies, which she defines as liberal integovernmentalism. The theoretical focus on national policies seems to be compelling. The problem lies, however, in the detachment of national policies on the broader political economy as a whole. In these matters, there appears to be little explanation given to policy changes such as small-scale liberalisation, renewable energy, and diversification.

As a whole, with the exception of Holmberg, noticeable reliance on policy documents and secondary literature limits the authority of their empirical data to understand the pre- and post-accession context in Estonia. For instance, most of the materials came from the online published documents of the EU Commission, Estonian Ministry of Economy and Communication, and newspapers. The reliance on policy documents and secondary sources limits the capacity of the

research to draw from the perspective of actual policy makers from the Baltic States.

In contrast to Estonia's energy sector, there seems to be limited process-tracing research on policy transformation in Poland's energy sector (Lewandoski; Skoczyny 2011). Although there are many studies written on the interaction of Poland and the EU regime in the energy sector, these studies focus on many other things: first, research on Poland focused on the Europeanisation of external energy policy, such as energy corridors–gas pipelines flowing from potential projects like Southstream–and not on the domestic energy generation; second, the abundance of Polish coal, the recent cutback, and privatisation have started occurring only recently; and third, Estonia's 'smallness' could have given more opportunities to scholars to study the energy sector.

From the international economics literature, there has been an abundance of works done on policy transformation in telecommunication (Olszynka; Harkmaa, Pirkko-Liis 2010; PAIZ 2006; Bruce, Kessides, and L. Kneifel 1999). Although most of these works are economic in nature and focused on the conditions for policy transformation in new member states, literature here has successful explained the reaction of new member states to the opportunities presented by globalisation to attract investments in. Telecommunication has often been said to be highly reactive to globalisation because of the desire of new member states to open up their economy. Since telecommunication is not just any sector, but a sector that connects local industries to the globalised market, a very open telecommunications sector could very well contribute to a state's economic growth. This logic has been explained and understood in new member states (Olszynka; Harkmaa, Pirkko-Liis 2010). Research on telecommunication, however, has been constrained by the limited focus on the globalising aspect of the sector. Not only has little research been done to compare telecommunication with electricity, but there is also a clear lack of progress to situate the sector within national concerns and types of capitalism.

1.2 Theoretical and Methodological Issues

What are the theoretical issues I want to raise from this rich and largely debated research track? The biggest problem would be to know if the EU indeed has an impact and if so, how do we measure this impact with as little bias as possible (Bulmer & Radaelli 2011, Exadaktylos & Radaelli 2009). Furthermore, the problem is not just with the EU, but it also concerns how international politics, which can or cannot be independent from the EU, affect national political systems (Gerring 2010, 2005). In this respect, rather than increase and specify EU-induced change, it is better to look into 'spatial interdependence and cross-country learning generate domestic change' (Exadaktylos & Radaelli 2009: 23), which can vastly affect the findings of the study. Little has also been done on the impact of EU integration on member states over time (Bulmer & Radaelli 2011).

An obvious issue but with little research is the link of transformation, reform, and compliance in the post-accession process (Egan 2011). Eight years after the accession of most countries in Central and Eastern Europe, there are many looming questions like the pace of transformation processes after accession and the learning or willingness capacities of new member states for political and institutional reform (Radaelli & Exadaktylos 2011). From a political economy perspective, a largely open track is to look at the impact of past legacies of the communist rule and networks on the modernisation efforts in CEE regional economies. To put it bluntly, are there emerging modes of capitalism relatively similar with more advanced economies (Egan 2011)?

There are three theoretical contributions. First, while many studies of Europeanisation in the CEE focus on fiscal reform, foreign policy, environmental modes of protection, and party behaviour (Schulze 2010; Lasas 2008; Vachudova 2005), I expand the focus on Europeanisation by not supposing its strong relationship on public utilities through a comparison with globalisation and state factors. My research focuses on the extent to which the reform of public utilities to promote market openness has been possible in the electricity and

telecommunication independent of the EU respectively. Both are 'market-oriented', the political dynamics in these two countries have influenced the patterns of utility transformation. Although telecommunication was tied together with the Soviet regime's security during the cold war, the sector became one of most liberalised areas in Estonia but not so much in Poland.

Second, my research also contributes to literature on the effect of EU integration. The choice of Estonia and Poland does invite some questions in the establishment of causality. Estonia and Poland, new member states, were vying for membership until 2004, and have been doing its best to be a 'good EU' model ever since (Schulze 2010, Pridham 2007). Compliance, then, could very well stem from EU pressure on membership and compliance issues. While this critique is valid, it does little justice to the level of *autonomy* that Estonia and Poland had and still have in establishing the *direction* and *form* of its governance structures. Simply put, while the EU can push for minimum change, most especially at the new member states, it cannot account for modes and substance of change (Bulmer & Radaelli, Radaelli & Exadaktylos 2011). Political, politics, and polity changes are, after all, highly contested processes amongst political and economic actors (Radaelli & Exadaktylos 2011, Radaelli & Pasquier 2007).

Third, to what extent does Europeanisation continue after EU accession? After eight years of EU membership, is it not time to analyse the extent of transformation in the newer member states? Like explained above, there has been too much emphasis, theoretically, on compliance before membership, while there has been little study on compliance after. Although there are some studies, these remain highly specific, just like the dissertation, and low in production. This point remains highly significant in a broader academic setting, because after eight years of membership, scholars of CEE are calling for a timely assessment of the EU's past and present roles. There have been several important workshops and conferences. For instance, the University of Glasgow is coining the study of CEE after EU membership as 'Post-Accession Studies,' while the *Centre international de formation européenne* in Nice recently held a workshop on

Post-Accession Capacities of CEE. Therefore, the dissertation contributes modestly to this increasingly important and burgeoning academic trajectory.

Methodologically, my research deploys the strengths of the step-wise comparison and the veracity of empirical material taken from semi-structured interviews with policy actors themselves. There have been many assumptions given in studies and in the media regarding the role of Europe in this regard, but as of yet, there has not been a study comprehensive enough to assess the impact of the EU by comparing it to another *sector* and another *state*. The method lends itself as a tool to increase the veracity of the analysis, as well as to compare the EU and domestic concerns with broader processes, such as globalisation and technological factors. Furthermore, most have relied on secondary information or data found in the Internet to explain policy transformation in Estonia. The existing data, I believe, is limited and it is crucial for new researchers to 'dig' what is happening in national capitals, government agencies, EU Directorate-Generals, and in Brussels (Egan; Jacoby & Meunier 2011; Börzel & Risse 2007).

Furthermore, the timeliness of the study cannot be ignored because it deals with the highly controversial and salient energy sector (Umbech 2010), by comparing its changes through telecommunications and taking on a resource approach. To knowledge of the author, no study has analysed the steering capacity of the EU towards the utilisation and implementation of unconventional energy resources. In other words, the question explores the [re]construction of the energy sector trajectory in both states and its policy making elites as a result of learning through regulatory mechanisms of EU governance within the very unique context of the energy situation in supranational and national levels. Last, previous literature looked at VoC from the 1990s and the post-Cold War context; however, given EU membership and changes in globalisation, are there newer modes of VoCs? Although this is not the main query of the research, previous modes never applied VoC to utility regimes. If there are, what are its characteristics and how consistent are they with previous versions?

1.3 Theoretical Framework

1.3.1 'Internalising Globalisation'

How are Europeanisation and globalisation used in my research? As explained in the introduction, if Europeanisation matters to a large extent, there should be four outcomes in the two policy sectors of Estonia and Poland. For CEE, the pressure for policy transformation should be at its strongest during the pre-accession process: first, similar patterns of market integration**,** regulatory institutions, functions, and forms of governance (Humphreys & Padgett; Lodge & Stirton 2006); second, varying degrees of market liberalisation depending on the extent to which the specific European regime promotes it (Humphreys 2006)−in this case, a greater level of liberalisation for telecommunications and a lesser extent for energy; third, as Europeanisation moves further and deeper, lesser degrees of state support for national incumbents and entrenched interest (Humphreys and Padgett; Lodge & Stirton 2006); and last, new strategies of internationalisation by private firms, enabled by privatisation to invest, corresponding to the opportunities and constraints accompanying the progress of Europeanisation (Lodge & Stirton 2006). If outcomes are different, then, I argue that other factors explain policy transformation in new member states.

While the standard hypothesis of explaining policy transformation goes back to the accession process and the EU regulatory regime, I argue, instead that there is a weak link between the EU and policy transformation in Estonia and Poland—particularly, the transformation of markets and governance. I do this by using the following concepts. I posit the theoretical view of globalisation from the IPE literature, which argues that 'broader' homogenising features are taking place, but are limited by the unequal geographic articulations of wealth and global processes (Soederberg, Menz, Cerny 2005; Hay 2001). To define specifically what these processes are, I emphasise the convergence towards regulatory capitalism from public policy literature (Levi-Faur; Lodge & Stirton 2006), which posits the transformative role of the state in public utilities (Bartle; Humphreys & Padgett

2006), within the broader inclusion of Estonia and Poland in the world economy. Furthermore, to answer the form and extent of change in governance and markets, I argue that the type of capitalism and state size as organising logics of state management that shape policy transformation in the electricity and telecommunications sectors.

As such, the variety of post-communist capitalism literature argues that Estonia's radical neoliberalism and Poland's embedded neoliberalism explain the extent of transformation in governance and markets. Although these expectations originate from previous works on other economic sectors of post-communist states, I posit that public utilities, with its distinctive and salient feature of infrastructure reliance, as well as multiple public policy goals of security and economic functioning, articulate short-term and long-term expectations that cannot be easily retracted by the state because of the sunk costs of infrastructure investments. Post-communist capitalisms alone, thus, cannot explain the extent of change in governance and markets, but are refracted by the imperatives of state dynamics found in state size. Following small state literature, Peter Katzenstein's Flexible Adjustment belies that small states have less bargaining power and are thus more vulnerable to economic globalisation. However, as some have argued against such one sided focus, small states are able to resists such imperatives when faced with threats to state security, and the institutionalisation of state autonomy. These, I argue, can be found in Estonia's 'smallness' and Poland's emerging role in CEE regional security. Estonia's small state features parlay a vulnerability to globalisation, a desire to capitalise on its location by transforming governance and market in telecommunications; but it has a need to protect the energy sector given its historical issues with Russia and infrastructural gas dependency. In contrast, Poland's embedded capitalism and non-small state features explain the persistence of state autonomy in transforming governance and markets in telecommunications; similarly, the greater transformation of markets in the energy sector is explained by Poland's management of globalisation, harnessing its opportunities. Notwithstanding the specificity of these cases, I argue that the consistency of both state capitalism and

state size as factors within the broader context of convergence toward regulatory capitalism explain the form and extent of change of governance and markets.

1.3.2 Resource Geography

I draw from resource geography. Although this is mainly used in the final theoretical chapter, the main point of resource geography is that resources matter; they exist in a constant dialogue with human kind. Resource geography has focused on questioning the nature and society divide, with an emphasis on why something is regarded as a resource and who benefits (Bridge 2010, 2009). Some of this work explores the fundamentality and contradictions of resource transformations in socio-technical systems, or people, processes, and products of existing institutions (Bridge 2010, 2009; Bridge and Bakker 2006). Whilst there are multiple transformations available for resources (Bridge and Bakker 2006), there are also challenges in focusing on emergent characteristics of resources, which are themselves historically co-produced by nature and society, to the reproduction of social-nature relations overtime (Bridge 2009; Bridge and Bakker 2006). The intensity of social-nature reproduction takes place in spaces of resource accumulation, connected across networks linked to global governing spaces (Bridge 2010ab; 2009). These spaces consolidate market accumulation through the expansion of governance onto other policy sectors, but more importantly direct the conduct of resource accumulation and indirectly administer social-nature reproduction (Peet, Robbins, Watts; Robbins 2011).

Estonia and Poland are known for the existence of controversial unconventional energy, defined as energy sources not taken from the conventional source reservoirs (WEC 2009), which are known for highly inefficient and low yield resources. At the final empirical chapter, I compare the two unconventional energy sources–oil shale and shale gas–with one another, so as to show the influence of resources on policy transformation. In so doing, I expand the debate on Europeanisation and institutional transformation of the state beyond the junctures of old member states, public utilities, pre-accession of CEE countries.

Furthermore, by focusing on resources, I open the possibilities of comparison of resources.

Thus, I argue that resources are not *just* technical or natural objects, but they represent social relations as well. In the context of Estonia and Poland, I argue that shale energy modifies the social relations of the state and society within, between, and amongst the international community. The key point is that resources modify the expectations and management of globalisation by harnessing the opportunities presented by unconventional energy. These may come as an opportunity for Estonia and Poland to be independent from Russia or for them to expand their influence in an international scale. Without positing finality on this on-going issue, but rather presenting a starting point of research for others, I argue that the distinctiveness of shale resources and its inconsistency with the broader EU regulatory regime present challenges to policy transformation.

1.4 Summary

The chapter reviewed the concepts directly relevant to the present research−most especially, Europeanisation and globalisation. While I define the former as the diffusion of a common political and economic order obtained through EU membership, also known as the EU regulatory regime, I define globalisation as a phenomenon towards market openness and convergence, which is also 'bottom-up, and inside out.' This convergence, I believe, is found in the trend towards regulatory capitalism, which manifests in various forms and patterns across the globe. As I explained in the chapter, I do not intend to delve into the conceptual problem of the two terms; rather I will focus on the empirical contribution of highlighting the separate impact of the two concepts. Given this, the theoretical framework that globalisation is internalised by state actors and influenced by the type of capitalism and size of the state within a general process of convergence seems coherent. Furthermore, using resource geography, unconventional energy galvanises the opportunity of Estonia and Poland to harness the economic and

political opportunities of. As these countries are in the 'margins' of the EU, and in varying degrees threatened by Russian gas, unconventional energy modifies Estonia and Poland's expectations and management of globalisation. In doing so, this two-prong strategy emphasises the criticality of globalisation.

CHAPTER 2
METHODS FOR [PRIMARY] DATA COLLECTION

2. Introduction

The main analytical strategy of the dissertation is to trace processes in time to draw out causality in narratives, otherwise known as process tracing. Starting from the 1990s as a relatively arbitrary date for the policy shifts in the public utilities of both states, I trace policy transformation in the governance and the market of public utilities. By tracing the causes and effects of policy change within certain cases in time, process tracing allows a systemic empirical assessment of causality.

2.1 Data Collection

My methodological approach is qualitative and will employ a variety of research techniques in data collection and analysis. I conducted three separate field research periods in Tallinn, Warsaw, and Brussels, particularly at the offices of energy and telecommunications department, as well as the Directorate-General of Energy and Competition. I also interviewed private actors such as companies, and civil society, as well as public actors in the form of members from the major political parties of both states. Specifically, I intend to use the following techniques:

1. *Key informant interviews with state officials, consultants, business agents, EU Directorate-Generals, officials of political parties and stakeholders.* This is the primary method because most policy documents are screened for political reasons. As many EU studies practitioners believe, no one actually knows what is going on in national capitals and at Brussels unless primary research is conducted (Egan 2011). Thus, this is

method aimed at acquiring perspectives on the impact of EU and other factors on policy transformation. Interviews with managers and executives of TNCs (telecommunications, Eesti Energia), working in coal and oil shale technologies *at different levels of policy transformations at that time* will provide insights as regards the strength of the link between the EU and the member states, competitiveness pressures of globalisation and policy sectors to companies. Furthermore, interviews with EU DGs were taken mainly to acquire the EU perspective and cross-reference the interviews from national officials. Interviews with political party officials and civil society to understand the institutional context of the state and the public. The major task is to show the links between the EU, policy transformation, and other, perhaps more plausible factors, as well as the political imperatives that follow.

2. *Policy and Archival Research*. This is aimed at gathering important primary and secondary documents to support the claims or cross-reference the interviews regarding policy transformation of energy and telecommunications. The data will include government documents in energy and telecommunications, key policy and NGO documents, strategy papers of government agencies, and business plans and annual reports of companies.

2.2 Stepwise Comparative Design

To demonstrate a theoretical point or to explain an empirical puzzle, the usual strategy is to use case studies. While case study types remain extremely important in knowledge production, they are limited by their focus on the generalisations that could be taken from a single case. As a result, following the common bias of positivism that causal inference can and should be demonstrated if the number of cases increase, the comparative method was crafted to tease out or to test the causal inference in more cases (Levi-Faur 2006; Wilson 1998). In regulatory and policy analysis, there were several strategies that comparative

analysis could employ: one is to test the same policies of a sector in two different countries (one sector, two country approach); another is to focus on one country but on two sectors with similar issues, say health and safety issues in one country (one country, two sector approach); or last, to look at the problems of a sector before and after policy change (Levi-Faur 2006).

However, some scholars believe that this is not enough and a new strategy needs to be created (Levi-Faur a, b, c, 2006). David Levi-Faur argues that previous models of comparison, by subsuming the statistical logic to draw causality from social scientific research, have subsumed qualitative research under the quantitative wing. Such a strategy is a problem since not all problems are the same; some require an in depth analysis, while others give importance to more cases. Thus, two problems arise: one is that increasing the number of cases would redirect the attention of the researcher from an in depth analysis; and the other is that the strategy makes the same mistakes as the large N analysis. Statistics do not take into account the problem of case selection, particularly since the method assumes that all cases have the same predictive value and role in inferential processes−when in fact, they do not.

Thus, to answer this issue, I use in my research Levi-Faur's reworking of consilience. Broadly speaking, 'consilience' means the 'unity of knowledge,' or unification; but as expanded by William Whewell, the term '[inductions] takes place when an induction, obtained from one class of facts, coincides with an induction obtained from another class. Consilience is a test of truth of the Theory in which it occurs' (Levi Faur 2006 c: 363). To exemplify the validity of a theory or an argument, increasing the number of cases does not necessarily demonstrate this; at best, it only shows that variables could be correlated to a particular outcome, but such a method does not demonstrate causality (Levi-Faur; Bartle; Lodge & Stirton 2006). Instead, increasing the number of tests on the same cases might reveal unconventional pathways or trajectories, strengthening the validity of one conclusion. For this research, a compound research design−two countries

and two sectors–following the stepwise comparison is used. The compound design compares two countries then compares the two sectors in the same country; from there, the design moves on to compare the same sectors in two countries, and finalises to compare the second sector in the two countries. However, this could still be furthered by adding a temporal dimension to analyse the sectors and nations before and after critical points, or temporally turning junctures (Bartle; Lodge & Stirton 2006).

2.2.1 National Policy Comparison

Why am I comparing Estonia and Poland? There is a common impression that the Central and the East European States (CEE) have a similar experience during their transition from the Soviet Union rule: popular resistance, a controlled economic system, and the 'return' to the West. These presumptions, however, are unsupportable when subjected to empirical research (Bohle & Greskovit 2007). While both are still new member states in the EU, Poland and Estonia are considered to be different in most important aspects (Schulze 2010; Lasas 2008; Bohle & Greskovit 2007). Estonia operates under a radical type of free market neoliberalism, the saliency of identity politics, and is seen as a small state (Bohle & Greskovit 2007). In contrast, Poland's embedded neoliberalism is different, the relative depoliticisation of identity, and is not viewed as a small state (Bohlee & Greskovit; Kuus 2007). The two member states also differ in their approaches on the developing 'partnership' with Germany and Russia. Both countries, however, have an abundance of shale resources–gas for Poland and oil shale for Estonia–and both have been the least energy dependent because of their huge reliance on their domestic resources.

First, the type of capitalism or neoliberalism is vastly different. ‘Traditional’ VoC literature focused on the coordination of the market and labour unions, while newer forms analysed the interaction of neoliberalism and state capitalism. In assessing the 'veracity' of neoliberalism and the type of post-communist

capitalism, Bohle and Greskovits looked at the rate at which market forms were introduced and institutions were transformed by analysing data, taking from the European Bank for Reconstruction and Development (ERBD) to acquire the proxy variable. Estonia operates under a radical type of free market neoliberalism (Bohle & Greskovit 2007), characterised by the relentless pursuit opening of markets, the liberalisation of services and trade, the introduction of competition, and the dissolution of social protection during the transition period. Estonia and two other Baltic States followed this trajectory until the end of the 90s, but were required by the EU to put in some level of protection and regulation in compliance to the accession requirements. Poland's embedded neoliberalism, a model followed heavily by Slovenia and the Czech Republic, results from experiences garnered from experimenting with 'reformed socialism' (Bohle & Greskovit 2007; Harvey 2005 & 2007). The decision to follow a certain type of neoliberalism could be traced back to the legacies and political economic situation at the time; The Baltic States relied on the Soviet Union for capital infusion, and when Soviet rule had to cease, there was a need to look for new sources of income (Schulze 2010; Lasas 2008). In contrast, Poland's historical economic and border linkages with the West European states proved to be reliable during the transition.

Such difference could manifest in several ways. For instance, industrial transformation in Poland grew on average over the rate of industrial out vis-à-vis the deficit in Estonia (Bohle & Greskovit 2007). In early 2000, most exports of the Baltic States were unskilled workers from labor-intensive sectors, while Poland mainly relied on capital, technology and complex production of skills (Lasas 2008; Bohle & Greskovit 2007). The difference between the two economic strategies contributed to the unequal infusion of foreign direct investments (FDI) in the two countries, with Poland acquiring FDI ten times more than Estonia. During neoliberal restructuring, Estonia limited state intervention, protection and funding on the agricultural and manufacturing sector−as well as a shift of state focus on liberalisation. In Poland, knowing very well that a 'shock therapy' may have potentially chaotic consequences to the transition, the policy-making

elite decided to follow a gradual withering of the social welfare system. The institutionalised state-labour system allowed the Solidarity leaders to come up with schemes to minimise the damage of the transition through pension funds, minimum wage regulations, and a massive early retirement scheme (Bohle & Greskovit 2007). Thus given the discussion, the extent of neoliberalism and the type of capitalism vary between the two countries.

Second, the extent of identity politics' saliency differs between the two states. While identity politics is a complex and long discussion, the point is to focus back on the issue of them joining the EU as an act prove their European roots−a prerequisite of their very existence and an indication of shared norms (Raun 2009, Tiilikainen 2005, Kuus 2002). The decision of joining an international institution is not only because of security imperatives, but it is also because of informal rules, memories and ideas. As such, because of the migration to the Baltic States during the Soviet rule, identity was a major issue for 15 years; this influenced the type of capitalism and democracy of the two countries and sustained the majority support for the state, despite the exclusionary effects of neoliberalism. At the same time, identity politics also excluded the Russian speaking minorities, introduced restrictive citizenship laws and furthered an ethnic conception of democracy. In contrast, the lack of Russian migration and the compromise made to keep the USSR borders with Germany and the Czech Republic in the 90s (Synder 2004), made the issue more class than ethnic in nature. Thus, identity politics were much calmer in Poland than in Estonia.

Third, the difference between a 'big state' and a 'small state' mattered as well. State size posits the importance of geographic location, population, and resources in influencing the relative autonomy of the state in economic matters, while others focus on the strategies of small states in preserving autonomy while facing bigger threats. Estonia's small state status represents a classic international relations power issue of dealing with bigger states and entities (Cooper & Shaw 2009; Jones 2008), such as Russia and multinational companies, and capacity problems, such as resources, population and migration. In contrast, Poland is not

a super power or a great power, yet the state has been historically recognised as an active player in European affairs (Cooper & Shaw 2009). While it may not be a key player in the same rank as Germany and France, if conditions and politics bode well, Poland has the capacity to be a powerful EU player in the domains of energy, trade and security (Toje 2010). On the final level of difference, while it has been as tenuous as Estonia when it comes to energy, Poland's dealing with Russia has been relatively more pragmatic than Estonia in the last ten years (Cooper & Shaw 2009). In the Baltic States, and not just in Estonia, Russia has been clamouring for the fairer treatment of Russian speaking minorities, as well as competing for the politicisation of history (Ciuta; Kuus 2007) While shale gas might change the paradigmatic landscape of energy in the EU, Poland's approach and relationship toward Russia seems different from Estonia in the present.

Given the differences between the two countries, the accession process is the unifying common factor of both states. Since the aim of the research is to show the weak link of Europeanisation and policy transformation, the common factor is appropriate since Estonia and Poland went through the accession process to become EU members; thus, transforming their domestic institutions and accepting policies specific to public utilities to become EU members. Therefore, the method of the most different case would be used. Since my main goal is to understand the EU's link on the public utilities of new member states, the method is appropriate because it can depict the similarity of outcomes in two vastly different political and social settings.

2.2.2 Policy Sector and Resource Comparison

However, even if national comparisons do make sense, does it make sense to compare policy sectors? In the literature, the policy sector comparison has gained traction in recent years. Popular sectors for analyses are water, postal services, rail, transportation, energy, and telecommunications. In theory, the extent of globalisation shapes the level of a sector's liberalisation—a state might be more attracted to reforming a sector, which could yield higher, potential profit. Simply

put, the characteristics of the state and the nation, which come about in ideas, histories, memories, power relations, and political systems, influence the way capitalism takes place (Bartle; Humphreys & Padgett; Lodge & Stirton 2006). This idea, however, while very useful in comparing capitalism across cases, can be applied to different sectors such as trade, services, labour, and production (Levi-Faur a, b, c 2006). Since the research looks at network industries, a sector which require substantial investments on vertically integrated infrastructure to administer service, the national dimension is limited by the technological, scientific, and physical limitations; thus, the strategy to analyse national and state characteristics alone would be insufficient (Levi-Faur; Bartle; Humphreys & Padgett; Lodge & Stirton).

Why are we comparing energy and telecommunications? By far, telecommunications and energy have been compared across Western Europe, as well as countries in Latin America. At face value, there are distinct characteristics between the two sectors. First, in contrast to energy, technological innovations in telecommunications were hastily achieved in the 1990s. Alternatives to existing and crucial materials for telecommunications were reached during the 1990s−telephony for copper wires. Second, in contrast to electricity, telecommunications became cheaper to transmit to distant places at very low cost. Third, telecommunications became compatible with existing technology in other sectors. Radio at trains and electricity equipment became receivers of telecommunications frequency.

However, what makes telecommunications and energy comparable is the idea of network industries. Broadly speaking, both sectors have their production, generation, and distribution infrastructures. The production and generation handles the creation of particular goods, while distribution mainly deals with the logistics work of bringing the goods to the customers. For both electricity and telecommunications, without the distribution, the capacity of the company to earn would be stifled. Hence, most private or state-owned companies integrate the three parts of telecommunications and energy together under one dominant

company. In this case, what makes telecommunications and energy comparable would be the prerequisite to break up the integration of distribution from production and generation to enable competition and privatisation to come in. Most energy and telecommunication companies until the 1980s were state controlled or were under the state company. The distribution component was connected to the other ones as well. In this case, if a competitor wants to come in, the integration of the distribution to the incumbent would be a discouragement to the investors, as there is a fear of incumbent's abuse of power. Thus, to bring about competition, the EU right now is pushing for the 'unbundling' of distribution from other parts of the network–in telecommunications in the 1980s and 1990s, and in energy today. While I do agree that in terms of market, competition laws, capacity for private ownership, telecommunications and energy do differ a lot, comparison is still possible due to the similar logics in this case.

Specific to the final chapter, from the perspective of critical geography, Bridge argues that resources are not simply physical materials, but are also social themselves. There are, then, social relations with resources, which people usually occlude when they talk about resources. These social relations include working conditions of the workers, the access and resource frontiers of extraction, the revenue, rent, and regulation created, the ecological costs of extraction, and lastly the materialities of resources. Coming from this perspective, primarily, the dissertation argues that resources can also be valid point of comparators from a perspective of 'stepping up.' These objects have their own materialities, exert their influence, and can change the way institutions work. While not succumbing to geopolitical, geographical determinism, or object fetishism, the dissertation argues that they produce outcomes within and beyond the state.

There are issues in comparing oil and gas in conceptual and methodological terms. On conceptual terms, the oil and gas sectors are usually considered different in literature. While both are energy resources, on the one hand, oil is more flexible and it is subjected to the world market; it has also been subjected to

numerous politicisation (Proedrou 2011). On the other hand, gas is regionally located and its mobility is limited by infrastructure; historically, it has been less politicised. Since the research looks at the energy sector, specifically coal, oil shale, and shale gas in their respective sectors, it could be very well argued that these are different sectors to begin with. The problem with this perspective, however, is that it ignores the utilisation, convertibility and infrastructure requirements of oil and gas. While they are two different resources, they are both used in industries, heating, transportation, and other domains. Both sectors require huge amounts of investment in infrastructure, conversion and in the case of oil, storage.

On methodological terms, the comparison between the two seem untenable because shale extraction started only recently in Poland. Shale gas extraction only started in 2010 and presently, there are only two operational shale gas wells managed by the global oil company, Exxon Mobile (Wierslaw; Shaoul 2011). Given this situation, it could be argued that a comparison of policy transformation between shale gas and oil shale is not possible since the two resources do not go through the same EU-led processes. However, to overcome this hurdle, only the final chapter focuses on the endeavour of both states to harness the potential of globalisation in unconventional shale energy. Thus, an analysis of the Polish and Estonian energy sectors begin by comparing Polish coal and Estonian oil shale in the public utilities chapter; and when shale gas became a salient issue in 2010, the research focuses on comparing shale strategies in the final empirical chapter. Given the strategy, I expect to see a relatively convergence of Polish and Estonian resistance to EU processes when the viability of unconventional energy resources came about−reinforcing the very hypothesis of this research that policy transformation could be better explained by the state's internalisation of globalisation.

2.3 Scope and Limitations

First, the dissertation looks only at selected aspects of energy, electricity, and telecommunications. For instance, the dissertation does not deal with energy efficiency issues, particularly the upgrading of buildings and commercial materials to promote greater energy efficiency in the new member states, as well as other directives related to combustion and infrastructure requirements, a huge part of energy that remains relatively untouched. Neither does the research look at the history of these utilities and resources; nor does it look at the transposition of every EU law on these sectors. There have been studies before in that regard. There are many unexplored aspects in energy, which includes the transformation, mergers and the acquisitions of the production and distribution plants. There are many untouched aspects in telecommunications as well, which includes the development of mobile telephones, Internet, and other web related features. These are no doubt important, and studies could yield many interesting new ideas, but they are not the main concern of the dissertation. Second, the political process is explained by looking at the macro-level of EU and institutions, and inevitably party politics, civil society, institutional development, and coalition politics, foreign policy security are relatively occluded in the narrative. Third, at the onset of the research, the study does not deal with Russian Gas because it is a 'constant variable' in that regard, and to that extent, the dissertation only deals with foreign policy when it needs to.

2.4 Summary

This chapter explained the data collecting techniques and comparative research design. For the data, I highlighted the importance of acquiring semi-structured interviews. Since the topic deals with the impact of the EU, the energy security, the divide between supranational regimes and national goals, and the conflict over unconventional energy, policy documents are limited by the nature of their production. Policy documents, however, remain integral to the research as a form of support or counter evidence to the interviews. The chapter, then,

explained the research design following the stepwise comparative method. As I argued, this comparative method is best utilised in analysing units with technological specificity. In doing so, the method draws out the causal processes from research units using different dimensions of analysis. At the end of the chapter, I explained that there is an extended focus on utilities on resources specifically. In doing so, I focus on understanding the processes that resources help create. The cases of Estonia and Poland were chosen due to their vastly different characteristics in state size and type of capitalism, two factors that are considered extremely salient in public utilities. This strategy points out that if the causes for the policy transformations in both governance and markets for both countries are the same, then it is plausible to have a generalisable case that the EU's influence is weak.

CHAPTER 3

UTILITY REGIMES IN ESTONIA AND POLAND
Comparing the EU European Regulatory Regime

3. Introduction

This research started by questioning the relationship of the EU with policy transformations in the public utilities of CEE. Since Europeanisation and globalisation have pushed somewhat similar pressures on states, the interesting question becomes: which of these pressures made Poland and Estonia transform their public utilities? In the first chapter, I emphasised the use of a theoretical framework that combines types of capitalism and state size to explain each state's internalisation of globalisation. In the second chapter, I justified the case choices of Estonia and Poland using the most different case design and argued for the importance of using the stepwise comparative method. The stepwise method, utilised diachronically and fuelled by semi-structured interviews to tease out the most relevant recent information, can draw out the important causal mechanisms that transform the governance and markets of public utilities.

Thus, to test the theoretical framework of the argument using the proposed methods, I argue in this empirical chapter that the link between policy transformation and the EU influence is weak. Instead, the type of capitalism and state size are organising logics of policy transformation, which largely influence the extent and form of market and governance shifts. The EU provided pressure, but it cannot account for policy transformation and the institutional forms taken after. Although the accession was a powerful process to change institutions, were there other reasons for transposing these laws? Were these laws implemented and followed?

The chapter is structured as follows. First, I begin with a comparison of EU-level regulatory regimes in telecommunications and energy, establishing the varying levels of pressure by two different EU regulatory regimes. Second, I look at telecommunications and energy regimes in both countries before their respective accessions to EU membership. In doing so, the design increases the consilience of the comparison by comparing both nations and sectors. Third, I again compare the EU regulatory regime in both sectors. After an assessment, the final step looks at the two regimes in both countries after 2004.

3.1 EU Regulatory Regime in Energy and Telecommunications before 2004

The starting point is that public utilities have historically been subjected to intervention by the state and state-led firms. Due to a number of factors–which included a shift of economic (ideological) paradigms, the development of telecommunications technology, and the expansion of globalisation in several parts of the world–telecommunications development at the EU level took a different turn in the 1980s (Eikeland; Thatcher 2011; Levi-Faur 2006). Even before the advent of the Single European Act in 1986 and the rise of Thatcher's and Reagan's neoliberal regimes, there were already gradual shifts from a highly state-controlled network industry to an open international one. In the United States, the divestiture of American Telephone and Telegraphy, the privatisation of Cable and Wireless British Telephony in the United Kingdom, and the shareholder changes in Nippon Telegraphy Telephone in Japan made economically significant parts of the world more closely connected (Eikeland 2011). At the EU level, the 1986 directorate for telecoms was established with the aim of expanding and promoting the liberalisation of the sector (Eikeland; Thatcher 2011).

Small changes started. First, the publication of the Green Paper on the liberalisation of telecommunications equipment and services in 1987 became an important landmark, as the document provided official reports on the

effectiveness of a liberalised telecommunications sector across the world (Bireselioglu; Eikeland 2011). In doing so, after the formal recognition of the EU Commission's responsibility over the single market in 1986, the EU started to publish regulatory initiatives such as the Open Network Provision (ONP), a crucial directive for the convergence of access conditions for telecommunication networks and services. Such directives allowed value-added markets to open, excluding basic telephone services, which remained full monopolies of member states (Bartle; Humphreys & Padgett 2006). At the start, many member states strongly resisted. The distributional conflict over utility liberalisation was taken to the European Court of Justice, which ruled that the Commission had primary jurisdiction on this particular issue. Upon the ruling, France and Germany–the main opponents of liberalisation–started to endorse the liberalisation of telecommunications (Bartle; Humphreys & Padgett 2006). Even so, debates at the EU level did not end. The Commission published four more Green Papers between 1990 and 1996, aiming to gradually liberalise various aspects of telecommunications; for instance, before 1999, the focus of liberalisation was on value-added markets in terminal equipment, services, and satellites.

Although with various state-specific exceptions, there were two big shifts in the EU Telecoms regime. First, on 1 January 1998 all EU member states agreed to open voice telephony, a major and the largest part of the market, to free competition (Humphreys and Padgett 2006). Second, the EU 2002 Telecommunications directive, which had five important provisions directly and indirectly related to the governance and markets of telecommunications–the Framework Directive, Access, Universal, and e-Privacy. The 2002 Directive also created the European Regulators Group to handle harmonisation and cooperation among telecommunications regulators.

In contrast, the European Energy regime evolved slowly and differently. Although at the start, the similarities between energy and telecommunications appeared much clearer. One of the earliest institutions in Europe dealt with energy, in the

form of the European Atomic Energy Community, as well as the Directorate-General of Energy [DG Energy], which was created in 1968. The availability of cheap oil, insecurities over energy supplies, and powerful intergovernmental forces in the EU led to the stagnation of community competence in the sector (Young 2011; Goldthau & Witte 2010). Although energy had traditionally been under the auspices of member states, community competence developed in the early 90s due to other simultaneous developments, such as the Single Market Act [SEA], liberalisation in telecommunications, and the embedding of neoliberalism in key member states–leading to similar generative pressures for regulatory and liberalisation in the sectors (Eikeland; Thatcher 2011; Levi-Faur 2006).

The earliest energy regulatory regime was formalised in the form of the EU directive 96/92/CE, which took the form of introducing competition in the electricity and gas markets; although it had support from some states, such as the United Kingdom and Netherlands, it was vehemently resisted by most member states (Proedrou 2012; Bireselioglu 2011). The Commission and DG Competition thought that they could mandate liberalisation via competition laws developed in the 1990s, similar to what happened in telecommunications; however the result of the *Almeno Case* ruling of the European Court of Justice pushed the liberalisation question into the margins (Proedrou 2012; Eikeland 2011). Thus, EU directive 96/92/CE is mostly a product of a Franco-German alliance aimed at pursuing gradual, state-directed liberalisation (Bireselioglu; Eikeland 2011). With the realisation that any top-down measure would be politically impossible, the EU Commission decided to take a bottom-up approach by introducing the second liberalisation package, which mainly took the form of informal, network interactions by member state officials, non-state actors, and EU Commission members. Thus, 2003/54/CE on the 26th of June 2003, the second liberalisation package was formulated with the main goal of further unbundling and empowering energy regulators, as well as creating transparency in tariffs and service regulations (Eikeland 2011; Umbach 2010). The limited effectiveness of

the second energy package has been well documented by many reports, having limited impact on largely concentrated electricity and gas systems.

In summary, telecommunications was much more supranational than electricity because of investment necessities and global developments in technology. At the EU level, the support given by the ECJ to the EU Commission to stand against violators of EU regimes was significant. Energy, on the other hand, remained weak despite the political salience of the issue. Energy remains largely intergovernmental, and the alliances of EU member states remain strong in this field. Therefore, the difference between the two regimes will likely lead to difficulty in transforming governance and markets in energy. Indeed, as some officials in the EU lament, the third package's success has thus far been limited (DGE 2012). Although the accession factor impacts both sectors, given all of these factors, the literature expects that governance and markets telecommunications should be easier to transform.

While the technological disparity would apply to the rest of the world, there are two notable exceptions in CEE. In contrast to old member states, these developments were taking place during the accession process of CEE. Literature has already established that the accession period made state leaders in CEE transform their domestic institutions in the biggest ever show of the EU's foreign policy influence (Schulze 2010; Lasas 2008; Bohle & Greskovit 2007). Thus, while the question of post-accession influence is still up for debate, the EU's impact before the accession should be strong due to the *acquis*. Another difference is that multiple outside organisations were pushing for the liberalisation of telecommunications–the OECD, the WB, WTO, and major economies such as Japan.

3.1.1 Telecommunications Regime in Estonia and Poland before 2004

In most of the Soviet Bloc, technological developments in telecommunications were neglected due to a number of reasons, which included the ideological competition of the time. The Cold War had led states to focus on military instead civilian needs. While local telephone control was left to the local officials, long-distance goals had to be inspected by Soviet authorities (Bruce, Kessides, and L. Kneifel 1999). This had clear implications during the 1990s. Nonetheless, even if the telecommunications sector in Estonia at that time had these conditions, infrastructure stability and service distribution were at their highest levels in the Soviet Union—for instance, in 1975 there were fully automated telephones, and by 1985, the country had 112 telephones per 1000 capita (OECD 2002). Conversely, Poland had one of the worst telecommunications infrastructures. In 10,000 villages, most had no access to telephones and usually only the mayor had a telephone line (OECD 2002). In urban areas, only one out of four homes had access; while in the rural areas, it was one out of thirty (OECD 2002).

Under complete Soviet control, the public telecommunications system was sequestered under the new republic-level Ministry of Communications, which was under the full jurisdiction of the Supreme Soviet of the Estonian SSR and to the Ministry of Communications in Moscow. Under this regime, there were several important points. First, the choice of communications equipment and project designs were left under the control of the 'Project and Construction of the Ministry of Communication.' Most of the technologies developed during this time were for the goal of maintaining a stable and predictable system. Second, since the management of communication was directly linked to the oversight of information, the top brass managers and high-level engineers were thoroughly screened and controlled by Moscow (Bruce, Kessides, &. Kneifel 1999). However, due to its expertise, the ministry in Estonia seemed to have kept a certain amount of autonomy from Moscow. This was because the entire telephone system had pre-war administrative requirements and technological specificities, leading to the participation of major telecommunication companies. Although they

withdrew during the Soviet period, companies such as Ericsson were already operating as early as the 1930s due to the advantageous location and size of the country (Bruce, Kessides, &. Kneifel 1999). Local companies such as Poogelmann and Kalinin were integrated on a larger scale and became part of a broader system (OECD 2002). These developments gave way to the effective liberalisation and reregulation initiatives of the 1990s.

At the end of the Soviet period, the increasing level of autonomy given by the Soviet Union resulted in, initially, plans for economic independence and self-sufficiency. As such, these led to an increasing desire to begin cooperation with foreign firms, which was allowed by Moscow by 1987. At the start of independence, the first move taken was the liquidation of the Ministry of Communications, followed by the demotion of the state to a minor role in the national economy. For telecommunications to become profitable, the modernisation of infrastructure was needed. Since the Soviet Union had been the biggest provider of capital, accounting for infrastructure functioning, services, and development, the newly independent state had to draw capital from foreign investors. Hence, the Telecommunications Act of 1991 was legislated, a law that above all was inspired by the success of the Swedish and Finnish telecommunication industry (Harkmaa 2010; Bruce, Kessides, &. Kneifel 1999), and no Western or EU participant was reported in the legislation phase. Furthermore, a step distinct from the rest of the former Soviet satellites was the separation of telecommunication infrastructure from the rest of the USSR—motivated by, as a whole, the desire to establish mobile telecommunications with Sweden and Finland (ETO 2012; Bruce, Kessides, &. Kneifel 1999).

As early as 1991, privatisation began Estonia, and one of the main goals of the process was to enhance, develop, and provide a mobile communications network and service in Estonia (Sallai, Schimideg, Lajtha 1999). The Estonian Mobile Telephone Company was formed by an international joint venture led by Estonian Telecom [51%], Finnish Telecom [24.4%] and Swedish Telecom [24.5%] (OECD 2002). As long-distance calls and competences in the Soviet Union were

not developed properly, the involvement of established companies allowed Estonia to acquire private capital and develop the necessary competitive infrastructure far earlier than post-Soviet states. Since international telecommunication companies provided cheaper access to infrastructure upgrade and institutional partnership for incumbent companies the region (Harkmaa 2010), Estonia was one of the earliest states to capitalise on these offers. Telephone services that included telephone, telex, and telegraph were initially given to the full monopoly of the Estonian Telephone Company until 2000. The agreement gave time for the Estonian government to gradually decrease subsidies for local services while also giving a sense of certainty to foreign investors.

For independent regulation, the Estonian government and parliament proposed arrangements for the creation of an independent regulatory body (Harkmaa 2010; Lithuania Seminar 2005). The law proposed the Estonian National Communications Board [NCB], led by its director general, which had full independence from any political manoeuvres, electoral instability, and vested interests. The independent regulatory body is in charge of pricing policies, competition rules, accounting checks, and regulatory harmonisation (Bruce, Kessides, and Kneifel; Sallai, Schimideg, Lajtha 1999). For sector regulation, the Estonian Telecommunications Inspectorate was created; they were given the power to distribute radio frequencies. The Ministry of Communications' ownership decisions were transferred to state-owned 'Eesti Telekom' and 'Eesti Post,' while the regulatory powers of the Ministry of Telecommunications was transferred to ENCB. These trends continued as on January 1 of 2001, the government of Estonia opened the entire country to full competition and implemented a new law on a new regulatory framework (Sallai, Schimideg, Lajtha 1999).

With the passage of the Telecommunications Law in 1991, the Polish government transferred the Ministry of Communications' control to state-owned Telekomunikacja Polska [TPSA] for telecommunications and Pocza Polska for postal services. The law only allowed competition in local calls to ensure the

infrastructural advantage of the TPSA. Ownership of the company was divided within the Ministry of Economy. Foreign firms and the US government objected, and the ensuing discussion resulted in a 49% foreign ownership of TPSA. There were also big problems regarding competition (PTO 2012). A big concern for TPSA was the tariff-rebalancing process between local and international calls, which taxed foreign telecommunication companies operating in the latter. Given its advantage in telecommunication infrastructures, the TPSA had little inclination to rebalance the tariffs. Specifically, the TSPA obstructed recommended liberalisation initiatives by halting pricing reforms, turnkey, and lease financing (PTO 2012; Olszynka 2011). The TPSA required a significant realignment of its local prices; it may not have perceived that there was a highly significant long-term advantage to pushing for rebalancing. If rebalancing took place, new competitors would have been given an advantage (Sallai, Schimideg, Lajtha 1999). Even though the Polish government decided to permit 'fairer' competition in long distance services on 1 January 1999, all the other international services delayed opening to competition (Olszynka 2011).

Similarly, the effectiveness and implementation of independent regulation was questionable (ETO 2012; Olszynka, P. 2010). While it was accepted that independence must be given to the new regulatory agency, there was the question of to what extent and whether to delegate the powers of the ministry into two organisations—one dealing with competition and licensing, and the other handling regulatory responsibilities for telecoms (PTO 2012; Olszynka, P. 2010; Sallai, Schimideg, Lajtha 1999). The Polish Competition and Consumer Protection Office (UOKiK) handled the former, (Sallai, Schimideg, Lajtha 1999), while The Polish Office of Telecommunication Regulation (URT) handled the latter.

There were also delays in preparing for the licensing of new entrants. Before the accession process, the Ministry of Economy did not have any intention to provide licences for the providers of long distance services, those who had technological and contact advantage over TPSA (DGC 2012; Bruce, Kessides, and Kneifel 1999).

The UOKiK, instead, created a time-consuming transition process that resulted in two to three dominant producers. Furthermore, the utilisation of the same distributional infrastructure for TPSA was limited in several ways— requiring service providers to have bureaucratic authorisation, various levels of confusing rules, and inconsistency with rulings. Licenses to local companies with questionable financial backings were issued on a regular basis. Such problems limited foreign investments in Polish infrastructure, which had a penetration of only 32% of consumers in the whole country in 1999 (DGC 2012; Bruce, Kessides, and Kneifel 1999).

The URT's head was an outside candidate of the ministry chosen by the Prime Minister (Stefanowicz & Dmyterko 2011); however, the new body was very much dependent on officials within the Ministry of Economy and those with strong, personal ties with TPSA and the Polish telecoms sector. The new agency faced legal and institutional uncertainty until 2003; they were intended to provide for the regulation through appointment by the Polish Prime Minister for a five-year term. Even before the actual accession into the EU, Polish competition authorities intervened, placing a heavy hand on setting prices for future sectoral arrangements (ETO 2012; Sallai, Schimideg, Lajtha 1999).

3.1.2 Energy Regime in Estonia and Poland before 2004

As part of the Soviet Union's Northwest Electricity system, Estonia was part of the interdependent infrastructure, which included Russia, Belarus, Latvia, and Lithuania (Ehastu 2011; Holmberg 2006). In terms of electricity, the most unique characteristic of the Estonian energy sector is its reliance on oil shale—first developed in 1919, which then evolved into a bigger sector come World War II and the Post-war Period (Ehastu; Molis 2011; Holmberg 2006). In Poland, the electricity sector has mostly been reliant on coal and, similar to Estonia, most of the gas came from Russia. An organisation called the ''Energy and Lignite Coal Community' enabled the state's monopoly on producing and regulatory decisions (Skoczyny 2011). However, for the entire Soviet period, the regulation and

development of the sector was under Moscow's command. When Poland and Estonia entered the world market in the 1990s, the whole sector was completely state-centered, monopolised, and concentrated (Ratyńska 2011).

In terms of liberalisation, the desire for privatisation was common in post-communist states, there was a flurry of liberal policies and market mechanisms in both countries. Before EU negotiations started, the Estonian government pushed for radical market policies. In Estonia, it came in the form of the privatisation agency in 1993, which led the sales of previously owned government enterprises to foreign investors. The Supreme Council of Estonia inherited most of the regulatory powers in the sector, and there were unrealistic plans for restructuring and reinvestments. Although most of the companies and smaller businesses in other sectors were privatised as early as 1991, energy in the form of the state-owned ensured the state's dominant role in the sector. However, when the accession negotiations started, Estonia had to comply with liberalisation; thus, in 1997, the energy act was formulated and passed in the parliament, and it had important implications on the regulation and liberalisation. The heated debates in privatisation allowed the restructuring of the oil shale complex and the transformation of RE Eesti Energia into a majority holding company, with several major producing and transmission companies (Ehastu 2011). The Estonian government tried to privatise a significant minority stake (49%) of the power stations at Narva to an American energy company, but the government eventually withdrew its support for the scheme because of a fierce resistance from Eesti Energia and some members of the academia (Ehastu 2011). Although some smaller distribution companies were sold to market hands, privatisation was an issue because of the potential to price security, and further social consequences. As Einari Kisel said, people still remember the time when the Russian Federation shut off some of the gas deliveries in 1993, which resulted in a very cold and harsh winter. Even with continuous restructuring up to 2004, 90% of the electricity produced in Estonia was made from oil shale (Punison 2007; Holmberg 2006), a one-of-a-kind in the world, which was managed by Eesti Energia—which at the time had '480,000 private customers and over 22,000

corporate consumers' (Punison 2007). However, due to the amount of investments needed for full restructuring, following the Directive 2004/84 of the ECJ, 'Estonia was granted temporary derogation from the application of Article 21 and Directive 2003/54 until December 2012' (Punison 2007). The ECJ, however, mandated that partial competition begin on 1 January 2009 (Vaks 2012).

In the area of institutional regulatory structure, even before the actual accession period, as part of the negotiations with the EU, Estonia started to implement measures designed to follow the direction of EU's economic model (Kisel; Reinaste 2012). Through the Energy Act, two very important regulatory agencies under the Ministry of Economic Affairs: the Estonian Energy Market Inspectorate [EMI] was established in 1998–which was in charge of energy competition, licensing, and price regulation–and the Estonian Surveillance Authority [ESA], which had to deal with inspection (Ehastu 2011). However, these two agencies had to share its powers with the Estonian Competition board, which had regulatory jurisdiction in all other sectors.

Polish energy also held a monopoly during the cold war years. In Poland, privatisation initiatives started as early as the 1990s, the power industry districts were liquidated as in 1989 and coal and electricity sectors were separated (URE 2011). The Polish reduced its control on the energy sector, tried to introduce competition, gave autonomy to production and distribution structures, and separated some transmission companies the vertical core (Lewandoski; Skoczyny 2011). By 2002, four of the largest system powers and electricity distribution companies, as well as several local heating plants, have been distributed to foreign investors. The division of the power industry into distribution, transmission, and generation was a relative success (URE ;Skoczyny 2011).

However, competition and majority ownership were still in the hands of the four biggest oligopolistic energy groups—Polskie Sieci Elektroenergetyczne [PGE],

Enea, Energa, and Tauron. Major companies such as the state-owned PGE retained their dominant positions in the market, while the state at least owned 51% of Enea, Energa, and Energetyka Południe S.A (URE; Mordwa 2011). While PGE was established in 1990 as part of the 'restructuring' during the Soviet years, there were no significant operational changes as the state owned majority of the company and remained the largest power producing company in Poland (URE; Skoczyny 2011). Overall, Polish trade unions tried to block privatisation due to the fear of unemployment, but they were only partially successful.

Institutional regulation changed as early as the 1990s in Poland. Although the UOKiK had the jurisdiction of competition, most of the regulatory powers specific to energy were delegated to the Energy Regulatory Office [URE]. Called the sector-specific regulatory model in the literature, and similar to Oxgas or Oxgen of the United Kingdom, wherein single regulatory institutions handle a particular sector, the URE was created in 1997, partially as a response to and a product of the European negotiations (Reinaste; Vaks 2012). The head of the URE is the President, appointed by the head of the ministry and independent from the Parliament, who possesses the sole capacity of having the ultimate decision on regulatory matters accorded by Polish law (Ratyńska 2012); these powers include energy trade in contract, balance, and exchange market (PPM 2012; Skoczyny 2011).

In summation, for both regulatory institutions in Estonia and Poland, the main responsibilities include price and tariff settings, investment decisions, as well as mergers and acquisitions. Members of both institutions also participated in transnational networks, such as the Florence Initiative and the Madrid protocol, even before the EU membership (Kisel 2012). In both cases, gradual market mechanisms were introduced.

3.1.3 Summation and Comparing across Nations and Sectors before 2004

Since telecommunications was and still is the interconnection of many other sectors, attracting foreign investors was done best by privatising telecommunications (Lithuania Seminar 2005; Bruce, Kessides, and Kneifel 1999). Thus, businesses came in during the 90s and when telecommunications developed at the start of the decade, the sector became the key for the efficient and relentless operation of the private sector (Lithuania Seminar 2005; Bruce, Kessides, and Kneifel 1999). The smallness of the Estonia, as well as the expertise that it had before the Cold War allowed the sector to be privatised and liberalised during the 1990s. The location of the country at near the Baltic Sea allowed Scandinavian countries to have a trading hub the rest of the mainland. Thus, not only because of the expertise, but also the existence of very willing neighbours able to finance the project.

On the flip side, the federal nature of Polish governance, size of the country, and the sparse telecommunication infrastructures limited the impact of privatisation and liberalisation. The Polish economy was known to be an embedded capitalism, which fostered a relatively slower pace through the gradual implementation of market policies and the slower reduction of guaranteed state employment. Initially, the Polish government wanted a full control of the sector, but the intervention of American companies allowed minority foreign ownership in TPSA. There were generative pressures for privatisation, but infrastructure at that time was limited, and upgrades were needed due to the size of Poland (PTO 2012 Stefanowicz & Dmyterko 2011). Poland's incumbent telecommunications, along with their allies in the state, halted and pushed for 'controlled privatisation' by impeding competition in long-distance calls and delaying the licensing of newer entrants in the sector; hence, ensuring their advantageous position in competition (PTO 2012).

In energy, Estonia was very reluctant to privatise. This is most probably due to the issue of energy security at the time, institutional experience, and state size

facilitated the limitations on liberalisation of the energy sector. Although Estonia's radical free market system opened the country to the forces of liberalisation and privatisation, energy did not take the same effect primarily because of the infrastructures of oil shale development and perceptions of Russian threat at the time. After the Cold War, Estonia was part of the Baltic 'energy islands,' a geographic and political term coined to describe the limited ability of the Baltics to import electricity and gas from other countries except Russia. The Energy Act in 1997 brought up issues of privatisation, but the initiatives were cancelled due to the popular belief of state involvement in the sector.

In contrast to Estonia's energy sector, the production sector of Polish electricity, and to some extent in transmission, experienced gradual liberalisation. Like their own telecommunications sector, the Polish energy sector was transferred to the hands of domestic oligopolies with international partners in some levels of the vertical and horizontal integrated network. The Polish government endeavoured to eliminate non-profitable mines through the optimal use of coal, the withdrawal of government subsidy, and reduction of guaranteed employment. With high levels inefficiencies costing huge amounts of money, the government launched the five-year Hard Coal Sector Program, which reduced employment by 50%. The interconnections of the Polish infrastructural network to neighbouring countries encouraged foreign participation. The Polish government wanted to attract capital to modernise coal plants, promote environmental protection, and shake off the inefficiency in the sector. Several examples attest to this. The French monopoly '*Electricity de France* invested in the 450-megawatt coal-fired plant in Krakow' (EIA 1996: 46), while Spanish Edesa has some shares in the Tauron and PGE. In 2004, Poland received a loan from the World Bank worth $160 million to convert coal plants into productive ventures.

The production commodity chain of coal and oil shale made privatisation viable. With the technological developments across the world, coal could be profitable in highly decentralised structures (PPM 2012). Put simply, there are a variety of coal

uses: steam coal for electricity production; ‘coking coal for steel production’ (World Coal Association 2012); ‘and ammonia gas to produce ammonia salts, ‘nitric acid, and agricultural fertilisers’ (World Coal Association 2012). Other products include ‘alumina refineries; paper manufacturers; chemical and pharmaceutical industries’ (World Coal Association 2012); chemical products from coal and coal tar could be used to create ‘creosote oil; naphthalene; phenol; and benzene’ (World Coal Association 2012). At this point, coal-mining facilities were privatised and turned into chemical production plants, methane, and other productive export ventures. The most important example is a company called the JSW group, which comprised of Jastrzębska Spółka Węglowa S.A. Group [JSWA] and Koksownia Przyjaźń (PPM 2012). The former is stated-owned, which is open to private investment, while foreign and domestic shareholders own the latter. Many other designated smaller non-profitable mines were transformed to the chemical and other export-oriented sectors.

Thus, the liberalisation of the energy sector and conversion to marketable ventures were much more limited in Estonia. One of the main motivations for investing in private companies in Poland were not only higher demand for coal and energy, but also the convertibility of coal into other products for profit (Bell, Towler & Maohong 2010; Mill 2004). Although American companies tried to tap the Estonian market, the concentration of expertise and technological development in Estonia, as well as the development of c made conditions for liberalisation much less viable than in Poland. While oil shale could be converted to shale oil for household heating, Eesti Energia holds the exclusive expertise in that product. Since Estonia leads the oil shale development, its pace was much slower and contained; its direction was directed at securing energy independence. However, despite these, the majority and most dominant coal companies are still under the hands of the oligopolistic state and private companies

In a similar conclusion, liberalisation was much more viable and profitable to state goals in Polish energy than telecommunications. The coal system consists of smaller units of convertible industries, and since modernisation and

environmental issues were tied to the industry, losing some of the smaller coal and unproductive facilities was profitable for the incumbents; however, this was not the case in telecommunication since the more that oligopolistic companies control the communication infrastructures, the more competitive they become (Bruce, Kessides, and Kneifel 1999). The already existing smaller industries could be converted to oligopolies to compete in the EU and global market; in contrasts, the inadequate nature of infrastructures in telecommunications limited the impact of liberalisation in sector. In essence, what allowed partial liberalisation of Polish energy were the again the technological and characteristics, consistent with state size and the type of capitalism.

For regulatory design, both countries used a broader regulatory institution in competition matters and sector-specific institutions for energy and telecommunications. Estonia, then, does not conform to the expectation that smaller states would use broader regulatory institutions in sector regulation: in Poland's case, the Polish UOKiK for competition, and the URT and URE for sector regulation; while for Estonia, the ECB for competition, and the ENCB, EMI, and ESA for sector regulation. The consolidation of a single regulatory regime on both sectors in Poland could be explained by the sheer size of the country—particularly, the need for infrastructure in telecommunications, and link of coal to the country's industrialisation in energy (PPM 2012; Skoczyny 2011).

In terms of regulatory effectiveness, these policies were implemented much easier in the Estonian telecommunications, but the opposite happened in energy. Although no one could contest the decision made by the Estonian Competition Board to conform to the insulation of a independent regulatory model–a source of tension in the design roots back to the appointment of the competition authority by the Minister of Economic Affairs and Communication (Reinaste; Vaks 2012). In energy, this same minister is simultaneously the sole shareholder of Estonia's dominant State Owned Company, Eesti Energia (Kisel; Vaks 2012).

Thus, a situation of 'double hatted' occurred in Estonia. As Einari Kisel said, the single shareholder role of the Minister of Economic Affairs and Communication in Eesti Energia roots back to the Soviet period. This, he said, was not touched at all during the EU negotiations to protect the sector at the worst situations. In regulatory disputes, the role of the judiciary or the Estonian Supreme Court, was institutionalised and still very salient up until today (Kisel; Reinaste 2012). In telecommunications, while the appointment system was also the same, the issues were not as tenuous and hotly debated in Estonian high court. The relative absence of regulatory issues in telecommunications could be explained by the supportive state in Estonia's radical neoliberal model. With the sheer importance of enticing capital in the sector and across all other sectors in the economy, the Estonian government had to ensure its effectiveness in regulatory matters.

For both sectors in Poland, the type of capitalism, the embedded capitalism model created regulatory problems in both sectors. Although the Polish government wanted to ensure the protection of workers and the gradual adjustment of consumers from the price shocks, regulatory policies because of majority ownership of telecommunications and energy was still in the hands of the Ministry of Treasury. Using the justification of protecting the people from economic shocks and inflation, the incumbents and the regulatory institutions delayed the entrants of new competitors and limited competition in both sectors. The lack of independent of the Polish URT and the authoritarian tendencies of the URE were keen examples. In 2001, Poland still had some of the lowest rates of telecommunications infrastructure and long-distance access in the CEE. While further competition might have benefited Poland, such an implication was not easily seen due to the need to cushion the incumbent telecommunication oligopolies. Similar to Estonia, the double-hatted issue took place in both sectors; the Ministry of Economy had the power to appoint the head of the URE and URT, and the Ministry of Treasury were the major owners of the state stakes in both companies (Stefanowicz & Dmyterko 2011).

To what extent does the accession process matter in pushing for policy transformation? In Estonia, the Telecommunications Act of 2001 opened the sector to full competition and dissolved the exclusive rights of the majority state-owned company, Eesti Telekom. The EU Directive of 2002 that deals with pricing access, information dissemination, and regulatory procedures was thoroughly implemented. In Poland, the Telecommunications Law of 2000 was also passed to open competition to some extent, but the actual implementation only started in 2003–two years after Estonia, Poland, and the Czech republic implemented similar laws. Poland had a problem in following the 2002/21/EC (Stefanowicz & Dmyterko 2011), or the Common Regulatory Framework for Electronic Communications Networks and Services, also known as the EU directive of 2002. Poland passed the law in 2004 to comply with the requirements but there were multiple implementation problems, which resulted in the EU Commission taking Poland to the ECJ at least 4 times for infringement procedures (Stefanowicz & Dmyterko 2011). The formation of large oligopolies or as some would call neo-mercantilism before the accession process shows the limit of the EU's power from membership. Although neo-mercantilism existed and persisted in the telecommunication sectors of both states, Estonia managed to implement effective regulation and full competition even earlier than the EU mandate and better than some old member states; the contrasts in the delays in long-distance competition and the difficulties of acquiring licenses for new entrants in Polish telecommunications.

In energy, the first and second packages were adapted in both states to promote liberalisation and competition. Though the first package lacked the backing of EU institutions apart from the Commission, the second package facilitated the informal regulatory exchange and learning amongst energy regulators in the EU. Energy regulators from both states also participated in Florence Initiative and the Madrid protocol, even before official EU membership (Kisel 2012). Although neo-mercantilism was present, the partial liberalisation of Polish energy in part due to the technological capacities of coal and mining show the opportunities given to

the chemical and coke industries from both globalisation and Europeanisation (Jarno, & Warzecha 2011). The accompanying formation of oligopolies in Poland through partial privatisation was responding to liberalisation and modernisation trends. While the independence of energy regulators in both states were both questionable, majority state-ownership of energy seems a dominant model in most of the EU; however, the regulatory conflicts could be explained by state size–the role of the Estonian Supreme Court for smaller states and the regulatory problems of bigger states per se.

In sum, the EU regulatory regimes in both sectors should have pushed for the similar levels of transformation of governance, decreasing levels of neo-mercantilism, and strategies of internationalisation corresponding to the opportunities at the EU level. Indeed Estonia and Poland moved towards some these transformations, but Europeanisation neither accounts for the reasons for shifting for these transformations nor the forms taken after. Linking pre-accession to the argument, the successful transformation of Estonia's telecommunications in governance and markets, and Poland's partial transformation in energy markets, could be explained by their desire to harness the benefits of globalisation by structuring its economy around the effective infusion of capital. While state size and the type of capitalism explains the persistence of regulatory problems and partial liberalisation for Polish telecommunications, the same could be said for the state's monopoly of energy in Estonia.

3.1.4 EU Regulatory Regime in Energy and Telecommunications after 2004

There are two big shifts in the EU Regulatory Regime for both sectors after 2004. In the telecommunications regime November 2009, after two years of debate, the EU parliament and the Council of Ministers agreed to reform the EU Telecoms Regime. There were two new provisions under the 2009 directive, the Better Regulation Directive, which gives independent telecommunications regulation

more power, and the Citizens' Rights Directive, which broadly protects privacy rights, were to be transposed in the national laws and subsequently implemented. The five previous existing EU Telecommunication directives were to be amended.

In the realm of energy, a mandatory third energy package took off, aiming to mandatory unbundle—separate the production, transmission, and distribution aspects—the energy sector. This landmark summit in December 2008, after a year of debating in the EU Parliament, the EU decided on an ambitious project to downsize its emissions, expand the share of renewable energy and increase energy efficiency by 20%. To do this, the EU Commission was given powers to mandatory unbundle—separate energy distribution from energy production to promote competition and promote consumer interests. On the political side, climate and energy issues were officially declared to be interconnected and interrelated issues, which cannot be dealt with separately and impossible to dichotomise. Since Fukushima, the appeal of nuclear energy diminished in Germany, one of the biggest EU countries; and the demand for natural gas from Russia, amongst other possible places, has been projected to increase.

3.1.5 Telecommunications Regime in Estonia and Poland after 2004

After 2004, Estonia was the first country to completely liberalise its telecommunication sector. In terms of funding and support, the Estonia made the whole and complete use of EU resource—expertise, technical assistance, institutional building capacity, and financial base. Estonia's open and liberal economy resulted in an excellent market hub, transportation, and an ideal location for production and distribution (Harkmaa 2010). A huge chunk of 'rapidly growing transit trade' goes 'through the Baltic Sea'; for instance, 'the deep-water port' and the 'free zone of Muuga harbour are very good examples for the Baltic and CIS markets' (Estonia EU 2012). Thus, competition is fully open in Estonia's telecommunication and many non-state companies are administering the service. In terms of telecommunications, there are four big providers of fixed-in lines and mobile telephone service. However, this must not be seen as an issue

of oligopoly, rather population and state size, make the optimum number of major companies to 4. Internet, DSL, Mobile-lines, and other services are fully open and are currently very competitive (Harkmaa 2010).

The main goal of Estonia's telecommunication sector is to enhance, ensure, and develop competition, as well as openness in the sector. Telecommunication development was pushed by foreign investors—mostly Nordic—who had huge amounts of investments in high technological, communication networks, and integrated networks to develop the IT communications infrastructure in Estonia. Many analysts in the international scene consider Estonia to be the centre of broadband DSL Connection in Central and Eastern Europe—in fact, for DSL penetration per telephone line, Estonia ranks amongst the top ten in the world. Other than Internet coverage, there are over 1,100 free access points around the country. Most recently, the advancement in telecommunications technology, market prices, and convenience made many consumers switch from fixed phone lines to mobile phones. In terms of digital phone connection, the whole of Estonia is covered, while there are 117 contrasts per 100 (Harkmaa 2010).

Liberalisation in Poland continued at a moderate pace after accession, still maintaining oligopolistic competition amongst several big companies. From 2004 to 2010, the state still owned majority shares in TPSA along with several important foreign shareholders. The incumbent serves 8.9 million fixed-line subscribers along with '2.4 broadband subscribers and 14.2 million mobile users' (Microsoft Lynch 2010). Competition seems to be very vibrant in other services such as cable TV, DSL, and mobile networks (Olszynka 2010; PAIZ 2006), but competition in fixed lines are still limited. Come 2007, the biggest shifts in Polish economic liberalisation came because of the increasing state deficits and the financial crisis in 2008. Although there were plans by the Ministry of Treasury to privatise some of the state-assets, the acceleration of privatisation came when the Polish government refused to increase taxes and decided instead to slash government spending in many of the state-owned enterprises, including Polish telecommunications. In 2011, the biggest mobile service provided, Polkomtel,

which was shared amongst TPSA and the other three big companies, was bought out by Solorz-Zak, the owner of telecommunication competitors Cyfrowy Polsat and Aero2. While TPSA has been selling its subsidiaries such as EMITEL (Stefanowicz & Dmyterko 2011), the role of foreign shareholders French Telecom in incumbent company also increased to 49.47%. TPSA is now looking to expand its operations internationally by using the name of the Orange, the popular French telecom group. However, in local fixed-lines telephones, TPSA position is currently being threatened by NETIA, a new competitor.

Regulation in Estonian telecommunications followed EU directives quite effectively. Estonia had to incorporate the 2002 EU directives for harmonisation. Estonia's accession to the EU on 1 May 2004 and the implementation of the Electronic Communications Act on 1 January 2005 led to even greater harmonisation. The Electronic Communications Act's effects started on 1 January 2005, which regulated all the operations of the electronic communications networks. Regulation takes place via the minister of Economic Affairs and Communications, the Estonian Technical Surveillance Authority [ETSA], and the Estonian Competition Authority [ECA] (Harkmaa 2010). The ECA provided full transparency to the public regarding the availability of electronic communications networks, communication services, radio communications, the administrative structure of frequencies, numbering, apparatus, and state supervision over the compliance of full requirements and punishment for any form of violation (Harkmaa 2010). The Estonian Technical Surveillance Authority provides the central coordination and regulation for all other state bodies. Eventually by 2007, the ETSA was put under the Estonian Competition Authority, allowing a single body to preside over regulatory issues and functions in all policy sectors.

After accession, the initial role of the telecommunications regulator in Poland became a mediator rather than a stern and acting body to over competition. While this position belies that regulation is a contract concluded between service providers and the consumer, and the regulator administers the agreement. The

dominant trend in Poland's telecommunication seems to be self-regulation of the companies (DGC 2012; Olszynka 2011; PAIZ 2006), which pertains to the steering and rowing activities conducted by the regulated actors themselves. However, scrutiny from the EU Commission brought Poland to the URT for changes in Polish regulatory matters. Specifically, the Commission filed a case against Poland regarding the unlimited capacity of the Prime Minister to remove the head of the URT (Stefanowicz & Dmyterko 2011). Since the state still remains to the major competitor in the sector, the EU Commission and the DG of Competition Argued that this violated regulatory competences (DGC 2012). In response, then, Poland amended the telecommunications law in 2009 to comply with independent telecommunications regulation. Similarly, changes in the regulatory could be seen. In 2006, the UOKiK filed a huge case against TPSA regarding obscuring competition matters in broadband connections, while the URT continues to guide privatisation and regulatory matters in the sector.

3.1.6 Energy Regime in Estonia and Poland after 2004

In privatisation, it appears that both states faced different kinds of pressure. In Estonia, state-owned Eesti Energia was almost put in London's Initial Public Offering. Such a decision was made by the board of directors of Eesti Energia, who thought that there was a need for private capital to increase the efficiency of the company and allow infrastructure restructuring (Lewandoski 2011). The decision of the company was reversed by the state, through the Minister of Economic Affairs and Communication. Estonian's plan could be seen in two pertinent documents. Estonia's 2008-2015 Plan for Oil Shale development, and the Development Plan for the Estonian Electricity sector, affirm the desire of the state to remain strong in the sector (Ministry of Economic Affairs and Communication 2008). The state still remains to be the dominant player in the energy sector. While Eesti Energia remains to the majority providers of electricity, the state owns most of the transmission lines through the management of operation companies such as the OÜ Elering, which was moved under direct state control in 2010 (URE 2011). While there are 40 smaller

distributional companies as a whole, the state-owned OÜ Jaotusvõrk controls 87% of the lines (URE 2011).

At this time, the derogation granted by the European Union has taken effect. In 2009 the Estonian government opened 35% of the market to competition. Competition was also galvanised through the third package. In particular, laws that are directly and indirectly related to the transformation of markets and governance of renewable energy shares. The concern for security in Estonia pushed for a complicated state framework, which is strategically aimed at reducing gas exports for Russia (Kisel; Reinaste 2012). Through the form of the renewable energy subsidy and cooperation with various renewable energy companies, renewable energy–specifically, biomass due to the weather–is rising heavily in Estonia, most especially since 2007. While the share of renewables was 5% in 2007, it pushed to 11% in 2012, in which most were heavily concentrated in the gas dependent regions. Thus, competition is being redirected towards gas dependent regions in Russia through the support of strategic renewable energy sectors.

The developments Poland is slightly different. Due to the financial deficits experienced by the state, power producing companies are now being restructured and sold to Chinese and Japanese companies, and several major deals have been reported to take place soon. In 2007, the Ministry of Treasury transferred most of the shares in the smaller energy companies and Enea to Tauron, which became one of the largest companies in Poland. Other state-controlled energy companies such as Enea, Energa, and Tauron were floated in the Warsaw stock exchange in 2010. The state called for a majority bid on these companies, as well as the willingness to sell 10% of shares in PGE. Due to the available infrastructural links, most of the interested buyers came from Germany's RWE and Sweden's Vattellan. In recent months, there was a failure to privatise due to issues of price negotiations. Poland tried to merge Energa into PGE, but failed on both the EU Competition DG and the UOKiK. For competition matters related to the third package, characteristics of a 'big state,' and the geography make Poland

conducive for renewable energy investments—particularly, in the wind sector industry. Renewable energy in 2010 was 9.1% and investments from renewable energy have been helpful to the Polish economy (PPM; Skoczyny; Lewandoski 2011).

In energy regulation in Estonia after membership, the negotiations over the third liberalisation package remained vibrant (Kisel; Reinaste; Vaks 2012). Pertinent to regulatory matters, and similar to all other sectors in Estonia, all regulatory institutions were transformed into the ECA in 2007. Similarly, 'double-hatted' issue of the Minister of Economic Affairs of Communication—having both roles of being the person in charge of appointing leaders of the ECA and the main shareholder of Eesti Energia—was resolved through limiting the power of minister in certain decisions (Kisel; Reinaste; Vaks 2012). Pricing matters are set by the ECA, but the formula in calculating the appropriate electricity price was partially taken from the EU's definition of fairness. In terms the Estonian Supreme Court, energy regulation remains strong in those cases.

In Poland, power still resided in the hands of the president of the URE. Although there were promises to allow greater leverage for price negotiations, the URE president remained firm on his stand regarding these companies (Skoczyny 2011). Due to the need to preserve predictability in the economy, newer competences and autonomy were given to the URE. The institution, however, does not hold exclusive regulation in the sector since the UOKiK remains a vibrant regulator in mergers and competition matters (PTO 2012).

3.1.7 Summation and Comparison across Sectors and Nations after 2004

In terms of telecommunication, both states are liberalised and to their own extents conform to the demands of the EU. As discussed in the pre-2004 component, Estonia came in first, owing to the historical development of telecommunications, and size, Poland followed right after due to the need of the state for capital. Estonia's telecommunications continue to remain liberalise and

open to competition, while similar trends are going on in Poland–Polkomtel was transferred into private hands; TPSA is facing competition in fixed-lines telephony; and French Telecom is increasing its role in TPSA. Sector specific characteristics, such as the internationalisation and diffusion of the Internet access, the demand for mobile telephones, and the greater demand for capital were the intervening links to capital and other businesses. Thus, liberalisation and competition were pushed by the need for the efficient functioning of the economy.

In energy, while Estonia is largely neoliberal in many respects, concerns for energy security and geopolitical issues with Russia make the sector a target for state control (Kisel; Vaks 2012). Another reason is that technological characteristics of the sector inhibit smaller scales of privatisation and partial ownership to take place. As Einari Kisel–the former deputy secretary general of the energy department in Estonia–said, if Eesti Energia desires to profit, then it would push to investing in the infrastructure, marketing, and distribution of shale oil—particularly, for heating and other uses (Kisel 2012). However, because of concerns for energy security, technological and financial investments are directed towards improving the efficiency of oil shale electricity production.

The financial crisis in 2009 pushed Poland to eventually create more privatisation policies across the board (DGC 2012; Olszynka 2011); specifically, the unsustainable state spending that were still kept in place since the post-communist period significantly affect impacts growth of the country (PPM 2012). Although majority of the major energy companies still remains in the hands of the state, several investors are coming and privatising former national stakes (Ratyńska 2012). As such, although Poland was an 'embedded neoliberal' country that chose to gradually move away from state planning, the direction of the country towards neoliberalism pushed the financial burden to the government.

Estonian telecommunications seem to remain efficient following their type of capitalism. In Poland, the role of the EU has been most salient since the Commission has launched several ECJ cases. However, even though there was a repeal of the telecommunications act in 2009, the URT remains a weak body in regulatory disputes. Instead, through the support of the EU, the UOKiK deals with regulatory and competition matters as well.

In energy, regulatory measures seem to follow and conform to the 'general regulatory' model even after accession. The smaller regulatory institutions were merged into a central ECB. Furthermore, the 'legal' unbundling of the Minister of Communication and Economy as the sole share holder of Estonia's incumbent energy company, and the person tasked to appoint the competition authority, has been dealt with in 2007. Poland's URE is task to regulate tariffs and prices, and the institution seems to be conforming to the EU model (Ratyńska 2012). Similarly, the UOKiK shares a role in dealing with competition matters.

Privatisation's results, in contrast, have been quite different. Estonia's failed privatisation in 2009 pushed the country to greater state control. In 2011, Estonia requested EU cohesion funds to fund the newly planned oil shale infrastructures, but was block by the EU Commission and taken to the ECJ. The ECJ, then, ruled that Estonia's plans threaten competition, prompting a reversal of oil shale restructuring funds. The refusal to privatise by limiting competition on non-production energy areas continues in Estonia. Poland's privatisation continues, seeming to be directly linked related to financial deficits of needing capital due to the state subsidy of sectors and 'welfare' (PPM 2012). Furthermore, the interest on Poland's energy sector seems strong because of the carbon credits allowance allocated (PPM 2012). The Polish government, knowing this particularly well, intends to capitalise to draw in more investments. In this regard, technological-specific characteristics of sectors do not conform at all.

To what extent does the EU matter? First, the movement towards Poland's privatisation in both telecommunications and energy could be traced back to the

general financial issues of the state and the need to attract investments and capital. The gradual reform of institutions and the necessity to cushion transition were some of the factors that led to the general dilemma. Second, the EU's impact on both the markets of both states seem to be limited since the main movers of telecommunications and energy were sector-specific characteristics and greater globalising landscape. Similarly, the EU's impact through membership seems to be null; liberalisation of telecommunications in both states continues, as part of the broader economic agenda and Estonia's refusal to privatise in energy but allow for partial competition in renewable energy are outcomes from security related factors. However, in terms of regulation on both sectors, the EU's impact seem to be consistent and strong—the legal unbundling in Estonia and the continuing independence of the URE. The sector-specific regulators in Poland seemed to be limited, but the competition board has taken a greater role.

In sum, the post-accession EU regulatory regimes in both sectors were relative effective in governance, but not for the transformation of markets. Neo-mercantilism in Polish telecommunications and energy appears to continue, in particular the continue development of oligopolies, but competition appears to be increasing. In Estonia, the state appears to be stable in its role as the dominant actor. As a whole, transformations in the markets of Polish telecommunications and energy were pushed by Poland's desire to make the most of the changing global conditions. In Estonia, transformations in the energy markets were extremely small and were taken because of the need to reduce Russian gas. The intervening factor of state size continues to affect decisions on internalising globalisation. Although there is a market on shale oil, through its creation from oil shale, these cannot be considered as a priority due to existing perception of Russian threat.

3.2 Summary

Through the process tracing of markets and governance in both, the chapter argued that the link of transformations and the EU is weak. Rather, policy

transformation is explained by the state's desire to internalise and harness globalisation, structured by the type of capitalism and state size. Furthermore, the EU's link to the transformation of markets appears weak in contrast to governance. Such outcomes could be explained by the relative success of indirect regulatory learning and the clearer link of markets to global factors. Since the link between the EU and market changes was weak, the impact of membership appears to be weak. This is also proven by the effectiveness of the EU's impact on governance after membership; an empirical proof contrary to the popular notion of the EU's effectiveness before accession.

CHAPTER 4

THE POLITICS OF UNCONVENTIONAL ENERGY IN ESTONIA AND POLAND

4. Introduction

In this chapter, I argue that resources modify the state's expectations and management of globalisation by opening political and economic spaces. By involving more actors in the process, unconventional energy indirectly influences the policy transformation of energy. Following the resource geography perspective, for Estonia and Poland, this may come as an opportunity to expand their influence in the EU and on the international scale. Without declaring finality on this on-going issue, but rather presenting a starting piece of research for others, this chapter demonstrates that Estonia and Poland are taking advantage of open markets and international opportunities. This chapter also shows that the utilisation of unconventional energy does not bode well with some institutions inside the EU. It shows that the very globalisation that the EU helped promote after the Cold War is now something that hinders the EU's other goals.

Several trends could be seen. First, there is a trend of internationalising shale energy in both states, which comes in the form of inviting and helping countries to participate, cooperate, or invest. Internationalisation could also be any of the following: the measures to internationalise unconventional energy through the export of technology, the initiative to foster network connections outside EU actors, and the desire to acquire support for the technological regime. This could be because of the intent on bolstering their political positions within the EU. Second, there seems to be a trend in both states, through the use of unconventional energy, to further their political, environmental, and climate credentials. Oddly enough, such trend comes from the fear that the EU or the dominant member states might ban or place a moratorium on their energy

systems. Thus, while there is the Europe 2020 as a platform for renewable energy and emissions reduction, Estonia and Poland are keen on proving their environmental credentials.

4.1.1 Estonian Oil Shale

Oil shale, put simply, is a fine-grained sedimentary rock that could be processed or converted to produce oil. However, the main difference with fossil fuels is that the economic cost of extraction, processing, and environmental externalities after are much higher. In the networks working in energy, there is no consensus to what 'oil shale' is, particularly because humanity's notion of resources evolves overtime. Put simply, resources are not born, but become.

In Estonia, the government started to develop long-term contracts and 'oil-shale' relationships with Jordan and the United States. This act, primarily taken by the Estonian government and Eesti Energia, is a strategy to take advantage of Estonia's 3rd generation Oil Shale Technology. According to former head of the Energy Department, Einari Kisel, the current oil shale technology that Estonia currently possesses comprises of 3rd generation technology; the two other states, which trail behind Estonia's technology, are Brazil and China (Kisel 2012). However, while Brazil and China use oil shale to generate electricity as the 3rd or 4th best method, as well as to create shale oil, the current level of technology, in terms of efficiency and environmental externalities, belongs to the 1st generation—which as Kisel said, Estonia had during the 1930s (Kisel; Reinaste 2012). Therefore, in terms of the large-scale utilisation of electricity that could be achieved and subsidised presently, Estonia is the only state in the world that has this capacity. There are other non-state entities, primarily transnational companies like Shell and Chevron, which continue to develop oil-shale technology, but their expertise lie at diminishing the environmental cost of oil shale extraction.

Given this background, what are the efforts of Estonia's developing internationalisation of oil shale? At the moment, there are several important projects. First, and most importantly, the key role of Estonia as the leading and only oil-shale country in the world, in developing the initial process of extraction and training to various states in the world, has been recognised by many within the state and by an increasing number of countries around the world. Specifically, Estonia signed an agreement with Jordan to harvest the El Lajjun site, while many other non-oil rich North African and Middle East countries are acting on or considering oil shale development. Just a few weeks ago, Serbia and Estonia concluded an agreement to develop both newly found and old reserves at Aleksinac. Thus, the recognition of Estonia, as the key actor in this sector, goes beyond North Africa to other states, who see the possibility of oil shale development as a viable alternative to the increasing security risks with gas and the fluctuating oil market in the future (Kisel; Vaiks 2012).

Second, Estonia has been able to use its exclusive knowledge to further its position in the European Union. The Southern Mediterranean partnership, also known as the European-Mediterranean Union, a political project launched by the French and Italian governments to control migration from North Africa, was an important project for the 'southern' part of the EU (Kisel; Vaiks 2012). These other EU leaders recognised the need for development in North Africa, partially for an end in itself, but also to hinder the flow of migrants to North Africa. Given these, the EU Commission, alongside the other leaders of the member states, sought Estonia's help in 2006 and 2007 to assist North African states in oil shale development. Estonia gladly acquiesced, particularly the leading state actor in the third pillar of the Mediterranean Union. From another perspective, Estonia's new rule could be seen as an acquisition of capacity to promote its 'place' in the EU (EEM; Reinaste 2012). Literature has explained the idea that some countries move towards promoting democracy and development; this could be especially seen in the Caucuses with the number of development scholarships that Estonia awards Georgia.

Aside from helping other states develop their oil shale fields, Estonia has also been planning for 'uncertainty' through the acquisition of oil shale lands; the technology from transnational companies; and the expansion of the consciousness regarding oil shale through the promotion of a community of experts. The recent purchase of land in the United States—particularly in Wyoming, Utah, and Colorado—is an example of this. Interestingly enough, the backlash for Eesti Energia's expansion did not happen in the European Union, but in the older environmental movements in the United States, such as the Habitat for Humanity, the Green Peace, and the World Wildlife Foundation (Reinaste 2012). In terms of technology development, Eesti Energia has been developing ties with some of the biggest publicly-traded energy companies--Shell, Chevron, and Exxon Mobil--in developing more efficient extraction and conversion technology, as well as safer and less costly approaches to disposing waste (Reinaste; Kisel 2012).

These developments, however, do not bode fully well with some entities in the European Union (DGEN 2012). Ever since accession, there has always been opposition to oil shale usage: particularly, the Directorate-General of Climate; the Directorate-General of Environment; and the Renewable Energy Companies. Several examples could illuminate these disagreements. During the negotiations for EU membership, although Estonia was eventually given the right to derogate from privatisation, competition, and emissions reduction, this was a very contentious process involving the clash of several EU DGs. As Jako said, Estonia had to explain to the DG of Climate and Environment about its complicated and unique energy system (Kisel 2012); although, allies could be found in the DG of Energy and Industry (Vaiks 2012).

However, in recent events, the clash inside the EU has been taking place due to the increasing demand of climate reductions, the third energy liberalisation package, and the growing saliency of energy issues around the world. The Commission of DG Climate, backed by various renewable energy companies, proposed to ban the development and the utilisation of 'dirty oil'--in this case, oil

shale and Tar Sands--which was met by heavy protest by Canada in the World Trade Organisation. Another example comes in the attempt of Estonia to build new oil shale processing and utilisation plants just a year ago, which was blocked by the EU Commission due to Estonia's intention to use cohesion funds (Reineste 2012). The EU Commission, along with the support of several DGs and renewable energy companies, blocked Estonia's plans, citing the violation of competition laws within the EU. The ECJ backed the Commission's decision and had Estonia retract its plans.

One of the most important facts of oil shale development is the evolution of its security complex. Most notably, the oil shale complex has different dimensions of national security. Just like any other state, public utilities are considered to be extremely important because they act as central nodes in the state's functioning and existence. In the case of Estonia, more than just an energy system, the oil shale complex has extra security dimensions directly linked to Estonia's leading role in oil shale development. There have been several cases documented of attempted espionage by the Chinese, as well as by Russians and 'unknown' mercenaries (EPM 2012). As such, numerous defence mechanisms have been established, which include radius limits for civilians venturing near to or around the oil shale facilities.

4.1.2 Polish Shale Gas

Shale gas is natural gas trapped in shale formations. To extract gas from shale, there is a need to fluidise the formations because of the insufficient permeability to allow fluid flow to be captured. With 17,7 TCM (624 Tcf) of technically recoverable shale gas resources in Europe, the internationalisation of shale gas, at the moment, is vastly more conflictual than oil shale. This is primarily because of its capacity to foster a geopolitical earthquake in Europe or transform Europe's energy situation, which could potentially shift depending on shale gas' viability. There are numerous examples attesting to the controversy regarding the energy source. Most prominently, the French parliament imposed a moratorium on

hydraulic fracturing, the artificial inducement of fractures on pressurised liquid, on June 2011; this was used as a means of moving gas underground, as well as other shale gas processes. Companies who had fracturing licenses and potential shale gas sites had to use a different method, otherwise they would have to face sanctions or sequestration of their claims (Shaw; Watt 2012). On the EU level, shale gas extraction is forbidden and regulations around it are not yet clear (Shaw; Watt 2012). At most, the EU initiated a large international project called 'GASH' in order to map potential shale prospects in Europe (Tomescu 2011). However, the lack of proper regulations in the EU and the level of discretion given to member states render such a policy at the EU level useless (Rappold 2011). For instance, on the DG level, the current shale gas operations hover in legal ambiguity. Any intervention from the DG of Environment, then, either needs to fall in institutionalised environmental laws, or via the DG of Competition in the murky politics of competition (DGEN 2012). In spite of these, holding the largest resources amongst all the EU countries, Poland has been developing shale gas in many of its regions. An estimated total of recoverable resources at 5/3 Tcm (187), or 30% of Europe's total reserves and 74% of Central Europe's Share. Apart from Poland, there were significant sources located in France, Norway, Ukraine, Sweden, Denmark, and the United Kingdom (Wierslaw 2011). There are lot of reserves in CEE, particularly in Bulgaria, Romania, and the Czech Republic (DGEN 2012).

At the moment, internationalisation could be found in Poland's shale gas; numerous transnational companies are participating in shale gas exploration through the use of the latest technologies imported from the US (Jezierski 2011). Some of the biggest energy companies in the World – Shell, Exxon Mobil, Total – are investing massive amounts in exploration, institutional support, and in establishing links with the Polish government (Ridley 2011; WEC 2010). The support of the United States cannot be understated, as American officials and the American ambassador to Poland attends shale gas events and summits. Moreover, the US invited Poland and all the other Central and East European

countries to the United States to witness the safety and effectiveness of shale gas extraction (Reinaste; Shaw 2012).

Particularly interesting in the shale gas presentations is the desire of Polish officials and transnational companies to promote their environmental and climate credentials. Transnational companies, particularly from the US, brought the newest and supposedly safest technology, which include coal bed methane and shale gas fuel; fluidised bed gasiers del; nitrogen oxide burners; and systems to control emissions (Shaoul 2011). As Polish officials and transnational companies argue, the use of shale gas would result in solving the demands of the EU 2020 (DGEN; Shaw; Watt 2012). The carbon emissions of shale gas are very, very low in contrast to several other energy resources, solving not only the supply of security and environmental issues, but also pushing the EU's climate credentials in the international arena. Such arguments, however, need to pass the EU's environmental assessment (Rappold 2011). Although shale gas is still under consideration in the EU level, and highly politicised in some countries, it would still pass the judgment of the DGs and the EU Commission per se (Blough 2011). However, doing so might not be enough to legitimise the energy system, as politicisation in the EU high-level meetings might result in the decoupling of the energy system. At the moment, there are five issues that the EU wants shale gas to solve: (a) the treatment of water resources; (b) the types of chemicals; (c) the characteristics of waste; (d) the types of waste guaranteed; (e) and how should waste is treated. In these aspects, the EU is still conducting its own counter study (DGEN 2012).

With the events at Fukushima and the seemingly inevitable closure of the German nuclear power plants, shale gas could potentially foster a geopolitical earthquake in the European energy landscape (Ridley 2011). Currently, small bouts of controversial events—such as the announcement of the French parliament to ban 'fracking' and the numerous debates in other countries regarding potential shale gas deposits—are shaking the foundations of energy in Europe. Furthermore, international civil society and renewable companies

continue to be enemies of shale gas (Jezierski 2011). The local branches of American civil society such as the Habitat for Humanity, Sierra Foundation, and Green Peace continue to protest, disseminate, and argue the destructive potential of shale gas (DGEN 2012). Moreover, the capacity of shale gas to pollute water resources, which is a key ecological niche, is incomparable to all others. The main argument that seems to emanate from these groups is the structural difference of the United States and the European Union. For renewable energy companies, their fears come from the resulting loss of support for their energy sources, should shale gas be legitimised. In this context, the alliance of renewable energy and DG of Climate is very telling, and scary in the point of view of transnational companies (Shaw; Watt 2012).

4.2 Summary

I argue that unconventional energy modifies Estonia and Poland's expectations of globalisation by opening new economic and political spaces. The main difference between oil shale and shale gas is the viability of the latter's development in the near future. Estonia, the leader of oil shale development in the world, is the main developer of its internationalisation. Conversely, Poland is the receiver of knowledge and technology from other countries and companies (Poprawa. Although oil shale is much more polluting, Estonia, just like Poland, is trying to involve actors from across the world as a weapon to minimise the EU's criticism of shale extraction (EPM 2012). In the coming years, Estonia and Poland plan to improve their administrative structures to improve coordination amongst the energy, environmental, economy, and all other departments (Kopczyńska 2012).

There are two ideas that can be drawn from this. First, in both states and initiatives, the pressure and influence of the EU appear to be limited as several state-led initiatives to harness the global opportunities of unconventional energy are taking place. In the minds of Estonian and Polish policy makers, their fear emanates from several EU sources that endanger the unconventional energy. The competitive agendas and bureaucratic structure of the EU DGs, in the form of DG

Climate and DG Environment, threatens the viability of oil shale and the development of shale gas (EPM, PPM 2012). Although energy officials of Estonia and Poland have often found allies in the DG Energy and Industry, the potential impact of the other DGs often create fear in the minds of the member states (PPM 2012). The entire landscape of the EU, highly vulnerable to lobbying interest, also threatens unconventional energy (EPM, PPM 2012;). In this sense, community competence is discouraged and the state returns as the primary actor. Second, and perhaps more importantly, both states are trying to prove the political and environmental credentials of unconventional energy. Estonia has been developing oil shale technology that minimises carbon emissions, while Poland continues to push for the relative absence of carbon emissions in shale gas (Jarno, & Warzecha 2011). From a realist standpoint, this is an attempt to limit outsider intervention and protect the legitimacy of shale energy, but it is quite intriguing that relations with resources are clearly seen. On the final note, is euroscepticism, or the fear or doubt on the European project, a cause of the rise in unconventional energy? Coming from the data in the interviews, it does not seem to be a factor at all, as it seems to be understood in the policy making circle that energy is highly protected, 'intergovernmental' sector (Kisel; Jaks 2012). However, while there is no resulting negative impact on the EU as a whole, or on other policy projects, the support on unconventional energy seem to be strong in both cases.

CONCLUSION

This research was intended to help reveal the extent of the EU and globalisation's influence on the public utilities of CEE, even after the accession process. To do this, the research focused on the creation of independent energy regulation, the growth of privatisation, and the improvement of competition in telecommunications and energy. Process tracing these changes in Estonia and Poland using the stepwise comparative method, I argued that the link between the EU level regulatory regime and policy transformations in public utilities is weak. Instead, I forward that Estonia and Poland are able to internalise globalisation by managing and harnessing its economic and political opportunities. I demonstrated this argument on two levels. In the first test, the type of capitalism and state size are organising logics of policy transformation, which largely influence the extent and form of market and governance shifts. By tracing these shifts in Estonia and Poland, I showed that the EU's role in pushing for independent regulation, privatisation, and competition in electricity and telecommunications—while aided by the pressure of membership before accession—was hinged on its consistency and coherence with national, sectoral, and globalisation dynamics.

In telecommunications, the effectiveness of policy transformation could be traced back to sectoral opportunities to acquire capital—such as global competitiveness, state size for Estonia, and the pressures for liberalisation during the financial deficits of Poland after 2004. In Estonia, the energy sector remained protected under state control because of the security and the 'inward' oriented ownership it exudes. Polish coal, while still mostly held by the government, has been gradually privatised since the end of the 90s. Oligopolistic structures remain in Poland, but privatisation became stronger after 2004, showing that the link of membership and policy transformation in markets is weak. While privatisation seems to continue, competition appears to be limited by these oligopolistic trends that come from privatisation. For governance, independent regulation in Estonian

telecommunications appears to be effective due to the state's decision to limit intervention in the sector. In Poland, governance seems to be a problem in both energy and telecommunications; specifically, since regulatory battles between the competition body and the sector-specific bodies continue, in which the EU seems to be strongly involved. Estonian energy regulation, conversely, remains under consistent state control because of security reasons; while in cases of regulatory conflict, the Estonian Supreme Court plays a strong role, affirming the sovereignty of the state in these matters. In both states, although weaker in Estonian energy, the EU's influence in pushing for independent regulation seems strong even after accession. While the dissertation does not deal with these directly, several ideas could be possible explanations. The embedding of regulatory norms among independent regulators could be taking place; simultaneously or alternatively, the EU's regulatory regime—a seemingly intricate web of directives—allows the Commission and its DGs to intervene in regulatory matters. Since privatisation and competition are closely connected global trends, the EU's impact in markets appears to be weaker. Measuring the EU's significance via the four standards of markets, governance, decreasing oligopolistic structures, and internationalisation, the EU's role is clear in the facilitation of the market and governance shifts, or setting the agenda for policy transformation. Nonetheless, compliance and marketization take place through the state and its ability to harness globalisation's generative pressures. Even if the EU's impact on governance seems stronger, it would be hard to conclusively say that the EU is the most important factor in the transformation of governance. Further studies in other CEE states are needed to untangle these relations.

Therefore, the theoretical and empirical contribution comes from tracing the weak link between Europeanisation and policy transformation in the public utilities of two different new member states. Concept-wise, I untangled the impact of globalisation and Europeanisation by tracing the influence of one over the other. Instead of assuming that change comes from an EU-level regime, the dissertation argued that the intersection of globalisation, state capitalism, and state size are important organising logics in explaining the extent of policy

transformation and institutional form. Furthermore, while previous studies focus on 'Western European countries'--Spain Portugal, Germany, France, Norway, and Switzerland--the study extends the empirical assessment to post-communist states, thereby testing the significance of membership. By demonstrating this argument both pre- and post-accession, the study interrogates the dominant theoretical point that the EU's influence was most salient before the accession period. In analysing the varieties of capitalism within post-communist states, the dissertation demonstrated that although Estonia remains more neoliberal in most respects, Poland's market-oriented approach in the energy sector allowed greater participation of market forces. This implication is a stark contrast to the post-communist varieties of capitalism literature, which calls for further study of varieties of capitalism in public utilities. Similarly, literature on state size often focus on either the state's role in international relations or the state's adjustment to economic policies, but often neglect the geographic configurations associated with the infrastructure of public utilities.

Second—also related to the EU's influence, different types of capitalisms, and state size—I argued that unconventional energy influences the state's expectations of globalisation by opening new political and economic spaces. At this point, some member states and the DG of environment are wary of shale gas and oil shale, as well as the generative conflicting interests coming about. However, without the direct demands of membership nor the stronger regulatory provisions—specifically regarding energy mix—in the emerging EU energy policy, Estonia and Poland started using member-state initiatives to fortify their positions in the energy sector via internationalisation, or the inclusion of other actors in the process apart from the EU. This affirms the significance of some aspects often brushed upon by political scientists such as resource, technological, and expertise factors. The existence of a community of experts and practitioners of unconventional energy allowed the growth of shale resources to develop, decentralise, and to consolidate in both states. Although my research treats the chapter on unconventional energy as an initial piece, calling for further research in the area for other researchers, the initial work done on the on-going process of

unconventional energy politics shows that resources modify the opportunities and expectations of the state. This, consistent with resource geography's main point that resources have social relations, demonstrates that shale resources modify Poland and Estonia's strategies to consolidate the state—whether in security, international prestige, or economic opportunities—underneath the broad phenomenon of globalisation. Thus, the 'presence' of globalisation offers the undeniable opportunity to develop and harness unconventional energy beyond the limitations 'imposed' by the EU. However, since both are member states and since energy is interwoven with global issues, such as climate change, unconventional energy opens up a muddled topic and becomes a venue of multiple, contesting actors inside and outside the EU; this is further complicated by the web of EU governance. Due to its simultaneous intergovernmental and supranational nature, the politicised and inconsistent nature of the EU's policies in these two unconventional energy resources is contributing to the internationalisation and a sort of post-communist, administrative defensiveness. As such, this logic might demonstrate the need to explore the dynamics of how different societies deal with resources; how humankind labels something as 'valuable' or 'useful'; and how further research can explore the mechanisms for the acceptance or rejection of certain resources, specifically in different kinds of governing regimes.

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APPENDIX A: INTERVIEW MATRIX

Interviewee	**Affiliations**
Einary Kisel	World Energy Council, Former Deputy Secretary General Energy, Estonia
Rein Vaks	Energy Department, Competition Authority, Estonia
Jako Reinaste	Energy Department, Estonia
Joanna Kopczyńska	Polish Environmental Policy
Ana Ratyńska	Energy Regulatory Office
ETO	Telecommunications, Estonia
PTO	Telecommunications, Poland
PPM	Polish Party Member
EPM	Estonian Party Member
DGE	DG Energy Official
DGC	DG Competition Official
Maynard Shaw	Exxon Mobil, Poland
Robin Watt	Shell, Poland